



CALIFORNIA SCHOOL ACCOUNTING MANUAL

2008 EDITION

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CALIFORNIA STATE BOARD OF EDUCATION

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CALIFORNIA SCHOOL ACCOUNTING MANUAL

2008 EDITION

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for required use by California public schools

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School Fiscal Services Division
California Department of Education



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A Message from the State Superintendent of Public Instruction

I am pleased to present the 2008 *California School Accounting Manual*, which assists local educational agencies in their crucial tasks of managing the tax dollars invested in education and accounting for those dollars in a way that supports informed decision making. *California Education Code* Section 41010 requires that school districts use systems to record their financial affairs that comply with the definitions, instructions, and procedures published in this manual.

I want to thank those of you at the local level who use this manual and who are responsible for ensuring that we spend our limited education dollars wisely. In these difficult financial times, it is more important than ever that we demonstrate the fiscal accountability and wise stewardship of public funds necessary to achieve our educational goals.



JACK O'CONNELL
State Superintendent of Public Instruction

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Section 41010 of the *Education Code* requires local educational agencies (LEAs) to follow the definitions, instructions, and procedures in the *California School Accounting Manual (CSAM)*. *CSAM* provides accounting policies and procedures, as well as guidance in implementing those policies and procedures, which include:

- Basis of accounting
- Revenue and expenditure recognition
- Fund types
- Types of transactions
- Methods of posting transactions, including adjusting entries
- Documentation required to substantiate certain transactions
- Year-end closing process, including the recording of accruals and deferrals

For this 2008 edition of the manual, in addition to routine coding updates and clarifying guidance, a procedure has been added that addresses postemployment benefits other than pensions.

Accounting personnel should be familiar with the principles and statements issued by the Governmental Accounting Standards Board (GASB), which is recognized nationally as the primary standard-setting body for governmental accounting. The principles and statements of GASB are available in its publication titled *Codification of Governmental Accounting and Financial Reporting Standards*, available from:

Governmental Accounting Standards Board
P.O. Box 30784
Hartford, CT 06150
800-748-0659
<http://www.gasb.org>

In addition, the Government Finance Officers Association publishes *Governmental Accounting, Auditing, and Financial Reporting*, which provides detailed guidance in applying the principles and statements of GASB. It is available from:

Government Finance Officers Association
203 N. LaSalle St., Suite 2700
Chicago, IL 60601-1210
312-977-9700
<http://www.gfoa.org>

Introduction

The *California School Accounting Manual* does not provide guidance on every possible transaction. LEAs encountering problems not addressed in the manual should consult GASB's publication or contact their independent auditors, their county office of education, or the California Department of Education, School Fiscal Services Division, 916-322-1770, for technical assistance.

Suggestions and comments about the information in this manual should be directed to:

School Fiscal Services Division
Office of Financial Accountability and Information Services
California Department of Education
1430 N Street, Suite 3800
Sacramento, CA 95814
Phone: 916-322-1770
E-mail: sacsinfo@cde.ca.gov

School districts, county offices of education, and certain joint powers agencies (JPAs) use a chart of accounts that corresponds to the standardized account code structure (SACS). SACS is an account string containing seven numerically coded fields. The fields are used in combination to classify revenues, expenditures, assets, liabilities, and fund balances in order to determine and report the entity's financial position and results of operations. For each field there is a defined set of accounts necessary to group transactions according to the classification designated for that field. The seven fields stay constant, but the accounts in the fields are updated as needed to reflect changes in laws, regulations, types of transactions, or accounting principles or practices.

Six of the seven SACS fields are required to be used when coding transactions. One field (the school field) is not required at this time. All seven fields, however, must be built into the accounting structure of all local educational agencies (LEAs).

The standardized structure has been developed to accomplish the following objectives:

- Establish a uniform, comprehensive, and minimum chart of accounts statewide to improve financial data collection, reporting, transmission, accuracy, and comparability.
- Reduce the administrative burden on LEAs in preparing required financial reports.
- Meet federal compliance guidelines and increase the opportunities for California to receive federal funding for education programs.
- Ensure that school districts and county offices of education comply with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).
- Create a logical framework that can be used to determine where education funds come from and how they are used.
- Provide better information for use by administrators, parents, board members, legislators, and others interested in school finance.

When a transaction is recorded in SACS, the full account string must be used for both the debit and the credit. The account string consists, at a minimum, of the account codes in the six required fields. The entry must conform to the double-entry system (i.e., the amount(s) debited should equal the amount(s) credited).

Procedure 301 Overview of the Standardized Account Code Structure

The seven fields in SACS and the required minimum digits for each are:

1.	Fund	2 digits
2.	Resource	4 digits
3.	Project Year	1 digit
4.	Goal	4 digits
5.	Function (Activity)	4 digits
6.	Object	4 digits
7.	<i>School (A three-digit school field is required, but its use is optional.)</i>	<i>3 digits</i>

Through this accounting structure, an LEA can produce financial reports by fund, resource, goal, function, or object (type of revenue or expenditure) or any combination of these fields.

Because SACS contains seven unique fields, a computerized accounting system is normally necessary to maintain an LEA's accounting records. The system must have the capability to accommodate at least seven fields, with each field allowing for the minimum number of digits as shown above. To meet their local accounting and reporting needs, LEAs may also choose to include additional subfields in their chart of accounts and/or expand the number of digits in each field.

The SACS fields are described as follows:

Fund (2 digits)

- Identifies the fund that is receiving the revenue, paying the expenditure, or otherwise being affected by the transaction. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, all related liabilities, and residual equities and balances or changes therein.
- Identifies specific activities or defines certain objectives of an LEA in accordance with special regulations, restrictions, or limitations.
- Examples include general fund, child development fund, and cafeteria special revenue fund.
- Applies to revenue, expenditure, and balance sheet accounts.

Resource (Project/Reporting) (4 digits)

- Tracks those activities that are funded with revenues that have special accounting or reporting requirements or that are legally restricted.

- Includes Resource 0000 for accounting activities funded with revenues that are unrestricted.
- Applies to revenue, expenditure, and balance sheet accounts.

Project Year (1 digit)

- Identifies the reporting year for a project that has more than one reporting year during the LEA's fiscal year.
- If a project's reporting year is the same throughout the LEA's fiscal year, the Project Year code is 0.
- When applicable for a project, applies to revenue and expenditure accounts but is optional for balance sheet accounts.

Goal (4 digits)

- Accumulates costs by instructional goals and objectives of an LEA. Groups costs by population, setting, and/or educational mode.
- Identifies revenues for special education.
- Examples include regular education K–12, continuation schools, migrant education, and special education.
- Allows the charging of instructional costs and support costs directly to the benefiting goals.
- Provides the framework for accumulating the costs of different functions by goals.
- Classifies financial information by subject matter and/or mode of education.
- Includes Goal 0000 for costs that are not directly assignable to a goal and for non-special education revenue.
- Applies to expenditure accounts. It is required for special education revenue accounts but is optional for other revenue accounts.

Function (Activity) (4 digits)

- Identifies activities or services performed to support or accomplish one or more goals or objectives.
- Describes the activity for which a service or material is acquired.
- Examples include instruction, school administration, pupil transportation, and general administration.
- Applies to expenditure accounts but is optional for revenue accounts.

Object (4 digits)

- Classifies revenues by source and type (e.g., revenue limit sources, federal revenue, other state revenue, fees, and contracts).
- Classifies expenditures by type of commodity or service (e.g., certificated salaries, classified salaries, employee benefits, books, and supplies).
- Classifies balance sheet accounts as assets, liabilities, or fund balance.
- Applies to revenue, expenditure, and balance sheet accounts.

School (3 digits)

- Designates a specific, physical school structure or group of structures that form a campus under a principal's responsibility for which a unique set of test scores is reported and that is identified as such in the *California Public School Directory*.
- Applies to expenditure accounts but is optional for revenue and balance sheet accounts.

Note: The school field is required to be built into the accounting system of all LEAs that utilize SACS. However, *its use is not required at this time* for state reporting purposes.

Procedures 305 through 330 of this section list the accounts for each of the required six fields, showing the account codes and their titles and definitions. The numbering or definitions of codes may not be altered by LEAs for their own use.

Optional and Locally Defined Codes**Optional Codes:**

Accounts (codes) shown in *italics* in Procedures 305 through 330 are optional. However, if an LEA chooses to account for transactions in a greater level of detail and optional codes already exist for those transactions, the LEA is required to use those optional codes. In other words, an LEA may not use its own codes or definitions to identify accounts that are already defined by required or optional codes in this manual.

Optional codes are reported to CDE.

Locally Defined Codes:

An LEA may create its own unique locally defined codes and definitions to reflect accounting detail not covered by required or optional codes.

Locally defined codes must be rolled up by the LEA before reporting data to CDE (see "Reporting Data to the State," following).

Caution: CDE is not encouraging the use of locally defined codes outside the ranges defined for this purpose, but the system does allow local flexibility. It must be understood, however, that if an LEA elects to add its own detailed codes, the LEA should be aware that in the future some of those codes may be preempted by CDE for other uses.

Reporting Data to the State

When reporting data to CDE, required and optional codes are included, but any locally defined codes must be rolled up by the LEA to the standardized codes specified by CDE (i.e., locally defined codes must be rolled to the appropriate required or optional code).

Using function as an example, an LEA may code its Plant Services transactions to the minimum function code level required by Procedure 325 as follows:

- 8100 Plant Maintenance and Operations
- 8500 Facilities Acquisition and Construction
- 8700 Facilities Rents and Leases

Or an LEA may code its transactions to a more detailed function code level by using some of the optional codes in Procedure 325 and some locally defined codes (which must not conflict with either the required or optional codes), as shown in the following example:

- 8100 Plant Maintenance and Operations (*required minimum level of detail*)
- 8110 Maintenance (*optional code in Procedure 325*)
- 8120 Repairs, Vandalism (*locally defined code*)
- 8200 Operations (*optional code in Procedure 325*)

In this example, in addition to a required code (8100), the LEA used the more detailed optional codes (8110 and 8200) defined in Procedure 325, as well as a locally defined code (8120). For transmission of data to CDE, the transactions in codes 8100, 8110 and 8200 must be reported (in those

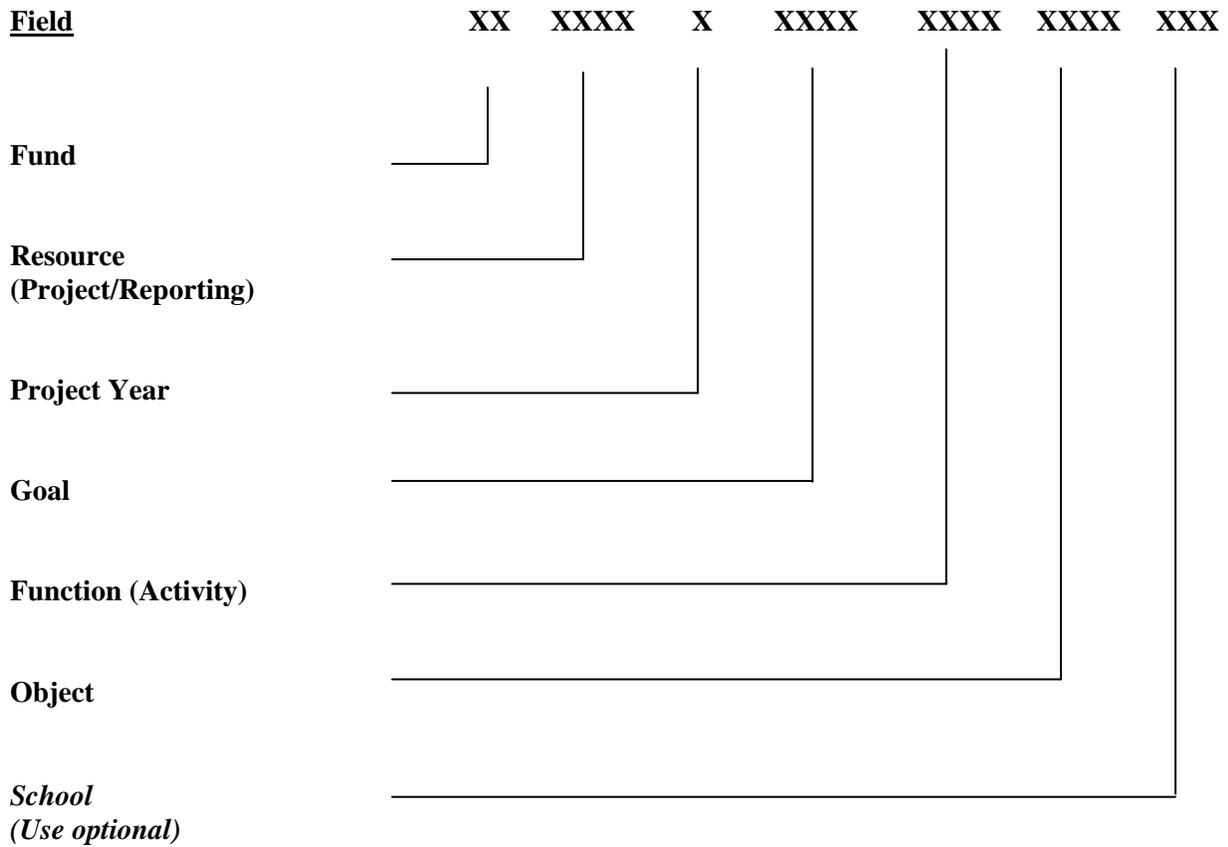
Procedure 301 Overview of the Standardized Account Code Structure

codes) to CDE; the later two codes are reported because, though optional, they are specifically identified in SACS. However, Function 8120, which is a locally defined code, must be rolled up by the LEA into Function 8110 (or 8100) since any locally defined codes must roll up to the standardized codes designated by CDE. This method of reporting enables CDE to combine the accounts to a level that allows for statewide comparisons of districts whether or not they are using any of the optional or locally defined codes.

Procedure 345 illustrates basic examples of how to use SACS codes for recording revenue, expenditure, and balance sheet transactions.

Procedure 301 Overview of the Standardized Account Code Structure

Standardized Account Code Structure Layout



- The fields must be presented in this order when data are submitted to the California Department of Education.
- Each of these fields must contain either digits or default zeros.
- The three digits of the school field will not be submitted to the California Department of Education at this time.

Procedure 301 Overview of the Standardized Account Code Structure

Use of the Standardized Account Code Structure

The following highlights the required use of each field for revenue, expenditure, and balance sheet accounts:

Revenue Accounts

Fund XX	Resource XXXX	Project Year X	Goal XXXX	Function XXXX	Object XXXX	School XXX
Required	Required	Required when more than one project year occurs in the fiscal year	Not required except for Special Education Revenues	Not Required	Required	Not Required

Expenditure Accounts

Fund XX	Resource XXXX	Project Year X	Goal XXXX	Function XXXX	Object XXXX	School XXX
Required	Required	Required when more than one project year occurs in the fiscal year	Required	Required	Required	Not Required

Balance Sheet Accounts

Fund XX	Resource XXXX	Project Year X	Goal XXXX	Function XXXX	Object XXXX	School XXX
Required	Required	Not Required	Not Required	Not Required	Required	Not Required

The accounting systems of local educational agencies (LEAs) are organized and operated on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording financial resources and liabilities. It is established to carry on specific activities or to attain certain objectives of an LEA in accordance with special regulations, restrictions, or limitations. Fund accounting theory and principles are discussed in procedures 101 and 105.

How the Fund Field Is Used

The funds in this procedure are authorized for use by LEAs. Certain funds are required when an LEA conducts certain activities that meet the criteria for using those funds. Other funds are optional and may be used at the LEA's discretion.

Only the minimum number of funds consistent with legal and operating requirements should be established; using unnecessary funds results in inflexibility, undue complexity, and inefficient financial administration.

The fund field is used when any accounting transaction is recorded. It applies to all accounts: revenue, expenditure, and balance sheet accounts.

Flexibility of the Fund Field

LEAs are required to code their transactions to at least the minimum fund level required by CDE. However, LEAs may also use more detailed CDE-defined optional fund codes (indicated by italics in the fund code listing) or create their own locally defined fund codes. Required and optional codes are reported to CDE; locally defined codes must be rolled up by the LEA when reporting data to CDE. For example, if an LEA were to use fund numbers 68, 69, and 70 to establish separate funds for each of its self-insurance activities, these funds must be rolled up by the LEA to Fund 67 when reporting to CDE. For further information, see "Optional and Locally Defined Codes" and "Reporting Data to the State," beginning on page 301-4.

Procedure 305 Fund Classification

List of Fund Codes

(Italicized codes are optional; if used, they must be reported to CDE.)

<u>Code</u>	<u>Title</u>
01–60	GOVERNMENTAL FUNDS
01	General Fund/County School Service Fund*
<i>03</i>	<i>General Fund Unrestricted</i>
<i>06</i>	<i>General Fund Restricted</i>
	* The general fund for a county office of education is called the County School Service Fund (<i>Education Code</i> Section 1600). All references to the general fund in this manual also apply to the County School Service Fund.
09–20	Special Revenue Funds
09	Charter Schools Special Revenue Fund
11	Adult Education Fund
12	Child Development Fund
13	Cafeteria Special Revenue Fund
14	Deferred Maintenance Fund
15	Pupil Transportation Equipment Fund
16	Forest Reserve Fund
17	Special Reserve Fund for Other Than Capital Outlay Projects
18	School Bus Emissions Reduction Fund
19	Foundation Special Revenue Fund
20	Special Reserve Fund for Postemployment Benefits
21–50	Capital Project Funds
21	Building Fund
25	Capital Facilities Fund
30	State School Building Lease-Purchase Fund
35	County School Facilities Fund
40	Special Reserve Fund for Capital Outlay Projects
49	Capital Project Fund for Blended Component Units
51–56	Debt Service Funds
51	Bond Interest and Redemption Fund
52	Debt Service Fund for Blended Component Units
53	Tax Override Fund
56	Debt Service Fund

Procedure 305 Fund Classification

<u>Code</u>	<u>Title</u>
57–60	Permanent Funds
57	Foundation Permanent Fund
61–70	PROPRIETARY FUNDS
61–65	Enterprise Funds
61	Cafeteria Enterprise Fund
62	Charter Schools Enterprise Fund
63	Other Enterprise Fund
66–70	Internal Service Funds
66	Warehouse Revolving Fund
67	Self-Insurance Fund
71–95	FIDUCIARY FUNDS
71–75	Pension (and Other Employee Benefit) Trust Funds and Private-Purpose Trust Funds
71	Retiree Benefit Fund
73	Foundation Private-Purpose Trust Fund
76–95	Agency Funds
76	Warrant/Pass-Through Fund*
95	Student Body Fund*

* Not required to be reported to CDE; however, these funds are required to be included in the audited financial statements to meet GAAP reporting requirements.

Fund Code Definitions

(Italicized codes are optional; if used, they must be reported to CDE.)

Code**Definition****01–60****GOVERNMENTAL FUNDS**

01

General Fund. This is the chief operating fund for all LEAs. It is used to account for the ordinary operations of an LEA. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

A charter school that reports separately from its authorizing LEA and that uses the governmental accounting model will use this fund as its chief operating fund. For charter schools operated as or by a not-for-profit public benefit corporation, see Fund 62.

The general fund for a county office of education is called the **County School Service Fund** (*Education Code* Section 1600). All references to the general fund in this manual also apply to the County School Service Fund.

Restricted projects or activities within the general fund must be identified and reported separately from unrestricted projects or activities. This is done by using codes in the resource field that designate whether the resources used are restricted or unrestricted.

The LEA also has the option of separating general fund transactions into two funds, unrestricted and restricted:

03

General Fund Unrestricted (Optional). This fund may be used to account for those projects and activities that are funded with unrestricted revenues (resources 0000–1999).

06

General Fund Restricted (Optional). This fund may be used to account for those projects and activities that are funded by external revenue sources that are legally restricted or restricted by the donor to specific purposes (resources 2000–9999).

09–20

Special Revenue Funds. Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities.

Procedure 305 Fund Classification

<u>Code</u>	<u>Definition</u>
09	<p>Charter Schools Special Revenue Fund. This fund may be used by authorizing LEAs to account separately for the activities of LEA-operated charter schools that would otherwise be reported in the authorizing LEA's general fund. If an LEA uses this fund for any of a charter school's operating activities, it should use this fund for all of the charter school's operating activities.</p> <p>Transactions of an authorizing or sponsoring LEA on behalf of a non-LEA-operated charter school, such as the receipt and subsequent pass-through of funds to the charter school, should be reported in the authorizing LEA's general fund.</p> <p>Charter schools that report separately from their authorizing LEAs and that use the governmental accounting model should use Fund 01 as their chief operating fund.</p> <p>For charter schools operated as or by not-for-profit public benefit corporations, also see Fund 62.</p> <p>The principal revenues in this fund are:</p> <ul style="list-style-type: none">Charter Schools General Purpose Entitlement—State AidCharter Schools Categorical Block GrantTransfers from Sponsoring LEAs to Charter Schools in Lieu of Property TaxesLotteryInterestAll Other Local Revenue <p>See Procedure 810 for further information on charter school reporting.</p>
11	<p>Adult Education Fund. This fund is used to account separately for federal, state, and local revenues for adult education programs.</p> <p>The principal revenues in this fund are:</p> <ul style="list-style-type: none">Adult Education Block EntitlementApprentice Transfer from the General FundWorkforce Investment Act (WIA)Other Federal Revenue (e.g., Adult Basic Education)All Other State RevenueInterestAdult Education FeesAll Other Local Revenue

Procedure 305 Fund Classification

Code

Definition

Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code* sections 52616[b] and 52501.5[a]).

Expenditures in this fund may be made only for direct instructional costs, direct support costs, and indirect costs as specified in *Education Code* Section 52616.4.

Other educational programs and activities that are administered by adult education staff but do not specifically serve adults should be expended in the LEA's general fund.

- 12 **Child Development Fund.** This fund is used to account separately for federal, state, and local revenues to operate child development programs.

The principal revenues in this fund are:

- Child Nutrition Programs (Federal)
- State Preschool
- Child Nutrition Programs (State)
- Child Development Apportionments
- All Other State Revenue
- Food Service Sales
- Interest
- Child Development Parent Fees
- All Other Local Revenue
- Interfund Transfers In

All moneys received by an LEA for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code* Section 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code* Section 8328).

Child development programs that are not subsidized by state or federal funds and that are operated with the intent of recovering the costs of the program through parent fees or other charges to users, if significant, should be accounted for in an enterprise fund.

- 13 **Cafeteria Special Revenue Fund.** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090–38093).

Procedure 305 Fund Classification

<u>Code</u>	<u>Definition</u>
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The principal revenues in this fund are:

- Child Nutrition Programs (Federal)
- Child Nutrition Programs (State)
- Food Service Sales
- Interest
- All Other Local Revenue

The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (*Education Code* sections 38091 and 38100).

The governing board of an LEA may establish and maintain within Fund 13, Cafeteria Special Revenue Fund, a reserve for cafeteria equipment (*Education Code* Section 38102).

See Procedure 635 for appropriate recording of transactions in this fund.

14 **Deferred Maintenance Fund.** This fund is used to account separately for state apportionments and the LEA's contributions for deferred maintenance purposes (*Education Code* sections 17582–17587).

The principal revenues in this fund are:

- Deferred Maintenance Allowance
- Interest
- Interfund Transfers In

Moneys in this fund may be expended only for the following purposes:

- a. Major repair or replacement of plumbing, heating, air-conditioning, electrical, roofing, and floor systems
- b. Exterior and interior painting of school buildings, including a facility that a county office of education is authorized to use pursuant to *Education Code* sections 17280–17317
- c. The inspection, sampling, and analysis of building materials
- d. The encapsulation or removal of asbestos-containing materials
- e. The inspection, identification, sampling, and analysis of building materials to determine the presence of lead-containing materials
- f. Any other items of maintenance approved by the State Allocation Board

Procedure 305 Fund Classification

Code

Definition

In addition, whenever the state funds provided pursuant to *Education Code* sections 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the district (*Education Code* sections 17582 and 17583).

See Procedure 650 for appropriate recording of transactions in this fund.

- 15 **Pupil Transportation Equipment Fund.** This fund is used to account separately for state and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code* Section 41852[b]).

Typical expenditures in this fund are items charged to Object 4400, Noncapitalized Equipment; Object 6400, Equipment; and Object 6500, Equipment Replacement.

- 16 **Forest Reserve Fund (county offices).** This fund exists to account separately for federal forest reserve funds received by offices of county superintendents for distribution to school districts and community college districts (*Education Code* Section 2300; *Government Code* Section 29484).

See Procedure 620 for appropriate recording of transactions in this fund.

- 17 **Special Reserve Fund for Other Than Capital Outlay Projects.** This fund is used primarily to provide for the accumulation of general fund moneys for general operating purposes other than for capital outlay (*Education Code* Section 42840). Amounts from this special reserve fund must first be transferred into the general fund or other appropriate fund before expenditures may be made (*Education Code* Section 42842).

- 18 **School Bus Emissions Reduction Fund.** This fund is used to accumulate money for the purchase or lease of new low- or zero-emission school buses or for the retrofitting of existing school buses (*Education Code* sections 17920–17926). The money could come from private parties as payment for the right to use emission reduction credits or from air pollution control district and air quality management district grants. Resource 7236, School Bus Emissions Reduction, may be deposited to the general fund as well as to Fund 18.

More than 50 percent of the money deposited in the School Bus Emissions Reduction Fund must come from local LEA revenues. The LEA's contribution could be local sources or unrestricted general fund money but cannot be money

Procedure 305 Fund Classification

<u>Code</u>	<u>Definition</u>
	from the existing Small School District Bus Replacement Program. This restriction also applies to any new money that the state appropriates for the purchase or lease of new low- or zero-emission school buses or for the retrofitting of existing school buses.
19	<p>Foundation Special Revenue Fund. This fund is used to account for resources received from gifts or bequests pursuant to <i>Education Code</i> Section 41031 under which both earnings and principal may be used for purposes that support the LEA's own programs and where there is a formal trust agreement with the donor. Gifts or bequests not covered by a formal trust agreement should be accounted for in the general fund.</p> <p>Amounts in the Foundation Special Revenue Fund (Fund 19) shall be expended only for the specific purposes of the gift or bequest (<i>Education Code</i> Section 41032).</p>
20	<p>Special Reserve Fund for Postemployment Benefits. This fund may be used pursuant to <i>Education Code</i> Section 42840 to account for amounts the LEA has earmarked for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment benefit plan. Amounts accumulated in this fund must be transferred back to the general fund for expenditure (<i>Education Code</i> Section 42842).</p> <p>Use of this fund is optional. The LEA may account for amounts earmarked for postemployment benefits in the General Fund (Fund 01) or the Special Reserve Fund for Other Than Capital Outlay Projects (Fund 17) instead.</p> <p>If the LEA pays for its postemployment benefit costs entirely on a pay-as-you-go basis, there is no need to use this fund. If the LEA makes irrevocable contributions to a separate trust for the postemployment benefit plan and the plan assets are in the LEA's custody, the LEA should use Fund 71, Retiree Benefit Fund.</p>
21–50	<p>Capital Project Funds. Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).</p> <p>Capital project expenditures are coded to Function 8500, Facilities Acquisition and Construction. Function 1000, Instruction; Function 2420, Instructional Library, Media and Technology; Function 7200, Other General Administration; and other operational functions are not used in a capital project fund.</p>

Procedure 305 Fund Classification

Code

Definition

- 21 **Building Fund.** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code* Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code* Section 41003).

The principal revenues and other sources in this fund are:

- Rentals and Leases
- Interest
- Proceeds from the Sale of Bonds
- Proceeds from the Sale/Lease-Purchase of Land and Buildings

Expenditures in Fund 21, Building Fund, are most commonly made against the 6000 object codes for capital outlay. Another example of an authorized expenditure in Fund 21 is repayment of State School Building Aid out of proceeds from the sale of bonds (*Education Code* Section 16058).

- 25 **Capital Facilities Fund.** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* sections 17620–17626). The authority for these levies may be county/city ordinances (*Government Code* sections 65970–65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (*Government Code* Section 66006).

The principal revenues in this fund are the following:

- Interest
- Mitigation/Developer Fees

Expenditures in Fund 25, Capital Facilities Fund, are restricted to the purposes specified in *Government Code* sections 65970–65981 or to the items specified in agreements with the developer (*Government Code* Section 66006). Expenditures incurred in another fund may be reimbursed to that fund by means of an interfund transfer.

- 30 **State School Building Lease-Purchase Fund.** This fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-

Procedure 305 Fund Classification

Code

Definition

Purchase Law of 1976 (*Education Code* Section 17000 et seq.). The LEA may be required to transfer to this fund any available moneys from other funds as the LEA's contribution to a particular project.

The principal revenues and other sources in this fund are:

Interest
Interfund Transfers In
School Facilities Apportionments

Typical expenditures in this fund are items charged to Object 6200, Buildings and Improvement of Buildings, and Object 6300, Books and Media for New School Libraries or Major Expansion of School Libraries.

35

County School Facilities Fund. This fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

The principal revenues and other sources in this fund are:

School Facilities Apportionments
Interest
Interfund Transfers In

Funding provided by the State Allocation Board for reconstruction of facilities after disasters such as flooding may be deposited to Fund 35. Typical expenditures in this fund are payments for the costs of sites, site improvements, buildings, building improvements, and furniture and fixtures capitalized as a part of the construction project.

40

Special Reserve Fund for Capital Outlay Projects. This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to funds 21, 25, 30, 35, or 49. Other authorized resources that may be transferred to the Special Reserve Fund for Capital Outlay Projects (Fund 40) are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code* Section 17462) and rentals and leases of real property specifically authorized for deposit to the fund by the governing board (*Education Code* Section 41003).

Procedure 305 Fund Classification

<u>Code</u>	<u>Definition</u>
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The principal revenues and other sources in this fund are:

- Federal, State, or Local Revenues
- Rentals and Leases
- Interest
- Other Authorized Interfund Transfers In
- Proceeds from Sale/Lease-Purchase of Land and Buildings
- Federal Emergency Management Act (FEMA)

Resource 6200, Class Size Reduction Facilities Funding, may be transferred from the general fund to Fund 40 for construction projects. Transfers authorized by the governing board from the general fund must be expended for capital outlay purposes. Proceeds from the sale or lease-with-option-to-purchase may be spent for capital outlay purposes, costs of maintenance of the LEA's property, and future maintenance and renovation of school sites (*Education Code* Section 17462). Expenditures for capital outlay are most commonly made against the 6000 object codes for capital outlay.

Salaries of school district employees whose work is directly related to projects financed by Fund 40 revenues are capitalized as a part of the capital facilities project.

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|-------|---|
| 49 | Capital Project Fund for Blended Component Units. This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (<i>Government Code</i> Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services. Mello-Roos tax receipts collected by the LEA should be recorded in Object 8622, Other Non-Ad Valorem Taxes. Mello-Roos proceeds collected by another agency's community facility district, of which the LEA is just a beneficiary, should be reported in Object 8799, Transfers In From All Others. |
| 51–56 | Debt Service Funds. Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt. |
| 51 | Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (<i>Education Code</i> sections 15125–15262). |

Procedure 305 Fund Classification

Code

Definition

The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA.

The county auditor maintains control over the LEA's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

The principal revenues in this fund are:

- State Subventions for Homeowners' Exemptions
- Other Subventions/In-lieu Taxes
- Secured Roll Taxes
- Unsecured Roll Taxes
- Prior Years' Taxes
- Interest

Expenditures in this fund are limited to bond interest, redemption, and related costs. Any money remaining in this fund after the payment of all bonds and coupons payable from the fund, or any money in excess of an amount sufficient to pay all unpaid bonds and coupons payable from the fund, shall be transferred to the general fund upon order of the county auditor (*Education Code* Section 15234).

- 52 **Debt Service Fund for Blended Component Units.** This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (*Government Code* Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services.
- 53 **Tax Override Fund.** This fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies. An example is a public school building loan repayment.

Procedure 305 Fund Classification

Code

Definition

Interest earned in the Tax Override Fund (Fund 53) is credited to the general fund of the LEA.

The principal revenues in this fund are:

- State Subventions for Homeowners' Exemptions
- Other Subventions/In-Lieu Taxes
- Secured Roll Taxes
- Unsecured Roll Taxes
- Prior Years' Taxes
- Supplemental Taxes

The principal expenditure accounts in this fund are:

<u>Purpose for which levy was authorized:</u>	<u>Object Code</u>
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State school building loan repayments (<i>Education Code</i> Section 16090).....	7432
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Payment to original district for acquisition of property (<i>Education Code</i> Section 35576).....	7436
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Compensatory education housing repayments (<i>Education Code</i> Section 16214).....	7439
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Lease-purchase payments (<i>Education Code</i> Section 17409).....	7439
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Construction of exceptional children's facilities repayments (<i>Education Code</i> Section 16196).....	7439
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Other voter-approved debt service.....	7439
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Debt Service—Interest.....	7438
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56

Debt Service Fund. This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

The principal source in this fund is Other Authorized Interfund Transfers In.

Expenditures are most commonly made in the 7400 object codes for debt service.

Procedure 305 Fund Classification

<u>Code</u>	<u>Definition</u>
57–60	Permanent Funds. Permanent funds were introduced as part of the governmental financial reporting model established by GASB Statement 34 to account for permanent foundations that benefit an LEA.
57	Foundation Permanent Fund. This fund is used to account for resources received from gifts or bequests pursuant to <i>Education Code</i> Section 41031 that are restricted to the extent that earnings, but not principal, may be used for purposes that support the LEA's own programs and where there is a formal trust agreement with the donor. Gifts or bequests not covered by a formal trust agreement should be accounted for in the general fund. Amounts in Fund 57, Foundation Permanent Fund, shall be expended only for the specific purposes of the gift or bequest (<i>Education Code</i> Section 41032).
61–70	PROPRIETARY FUNDS
61–65	Enterprise Funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. An enterprise fund must be used to report any activity whose principal revenue sources meet any of the following criteria: <ol style="list-style-type: none">1. The LEA has issued debt backed solely by fees and charges from that activity.2. There is a legal requirement that the cost of providing services, including capital costs such as depreciation or debt service, must be recovered through fees or charges.3. The LEA's policy is to establish activity fees or charges designed to recover the cost of providing services, including capital costs such as depreciation or debt service. An enterprise fund is accounted for on the accrual basis. Capital assets and long-term debt (including all long-term debt obligations such as vacation pay and capital leases) are recorded in the fund. All revenues and expenses (rather than expenditures) are recorded, regardless of when they are received or paid. Depreciation of capital assets is recorded. An enterprise fund may be used to account for any activity that an LEA accounted for in an enterprise fund prior to the issuance of GASB Statement No. 34, even if the activity does not otherwise meet the criteria for using an enterprise fund. Generally, use Goal 0000, Undistributed, with an enterprise fund.

Procedure 305 Fund Classification

<u>Code</u>	<u>Definition</u>
61	<p>Cafeteria Enterprise Fund. The cafeteria program may be accounted for using an enterprise fund rather than a special revenue fund (Fund 13) even though its primary source of financing comes from federal and state child nutrition program revenues rather than through the price paid for meals by the students. CDE recommends that an LEA use an enterprise fund to account for its cafeteria operations only if the LEA's governing board intends to operate its cafeteria program in a manner similar to that employed by private business enterprises and to fully recover all costs of providing services, including depreciation of capital assets.</p> <p>Use Function 3700 for cafeteria program operations. Use Function 6000 for non-cafeteria enterprise activities such as catering.</p>
62	<p>Charter Schools Enterprise Fund. This fund may be used to report the activities of LEA-operated not-for-profit public benefit charter schools that use the accrual basis of accounting. It may also be used to report the activities of separately operated not-for-profit public benefit charter schools that report separately from their authorizing LEAs. Since fund accounting is inconsistent with the not-for-profit financial reporting model, in this case Fund 62 serves not as a fund but rather as a financial statement for purposes of reporting to CDE.</p> <p>If Fund 62 is used for any of a charter school's activities, it should be used for all of the charter school's activities.</p> <p>Costs reported in Fund 62 should include the function most descriptive of the activity being performed (e.g., instruction, pupil services, enterprise, plant services) rather than charging all costs to Function 6000, Enterprise, which is normally done in an enterprise fund.</p> <p>Transactions of an authorizing or sponsoring LEA on behalf of a non-LEA-operated charter school, such as the receipt and subsequent pass-through of funds to the charter school, should be reported in the authorizing LEA's general fund.</p> <p>See Procedure 810 for further information on charter school reporting.</p>
63	<p>Other Enterprise Fund. This fund may be used to account for other business activities.</p> <p>Only Function 6000, Enterprise, is applicable to Fund 63.</p>
66–70	<p>Internal Service Funds. Internal service funds are created principally to render services to other organizational units of the LEA on a cost-reimbursement basis.</p>

Procedure 305 Fund Classification

Code

Definition

These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

An internal service fund should be used only if the LEA is the primary participant. If services are provided on a cost-reimbursement basis primarily to other LEAs and/or entities, use an enterprise fund.

An internal service fund is accounted for on the accrual basis. Capital assets and long-term debt (including all long-term debt obligations such as vacation pay and capital leases) are recorded in the fund. All revenues and expenses (rather than expenditures) are recorded, regardless of when they are received or paid. Depreciation of capital assets is recorded.

For more information on internal service funds, see Procedure 775.

66

Warehouse Revolving Fund. This fund is used primarily to maintain budget control and stock accounting of merchandise for an LEA's use (*Education Code* Section 42830). The Warehouse Revolving Fund (Fund 66) is reimbursed from various funds of the LEA for amounts consumed by these user funds.

Expenses in Fund 66, Warehouse Revolving Fund, may include the purchase of stores to be placed in stock and the costs of receiving, storing, and delivering stores (*Education Code* Section 42832).

See Procedure 775 for appropriate recording of transactions in this fund.

67

Self-Insurance Fund. Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of an LEA. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code* Section 17566).

The principal revenues in this fund are the following:

- Interest
- In-District Premiums/Contributions
- Interagency Revenues
- All Other Local Revenue

Expense transactions in the Self-Insurance Fund (Fund 67) shall be recorded for the payment of claims, estimates of costs relating to incurred-but-not-reported (IBNR) claims, administrative costs, deductible insurance amounts, cost of excess

Procedure 305 Fund Classification

Code

Definition

insurance, and other related costs. Most of the activities of Fund 67 should be coded to Function 6000, Enterprise.

Amounts contributed to Fund 67, Self-Insurance Fund, are lawfully restricted for insurance purposes (*Education Code* Section 17566 and *Government Code* Section 53205).

See Procedure 775 for accounting guidance and restrictions relating to this fund.

71–95

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the LEA's own programs.

The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

71–75

Pension (and Other Employee Benefit) Trust Funds and Private-Purpose Trust Funds. Pension (and other employee benefit) trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. For a state-administered pension system such as STRS or PERS, the state, not the LEA, maintains the pension (and other employee benefit) trust funds.

Private-purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

71

Retiree Benefit Fund. This fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both. This fund should only be used to account for an LEA's irrevocable contributions to a postemployment benefit plan for which a formal trust exists. Amounts earmarked for postemployment benefits but not contributed irrevocably to a trust should be accounted for in the general fund or a special reserve fund.

Moneys may be contributed to the Retiree Benefit Fund (Fund 71) from other funds by periodic expense charges to those funds in amounts based on existing and future obligation requirements. Payments may be made from the fund for insurance, annuities, administrative costs, or any other authorized purpose (*Education Code* Section 42850).

Procedure 305 Fund Classification

Code

Definition

The principal revenues in this fund are the following:

Interest
In-District Premiums/Contributions
All Other Local Revenue

Expenditures in Fund 71, Retiree Benefit Fund, are made using Object 5800, Professional/Consulting Services and Operating Expenditures. Use with Function 6000, Enterprise.

73 **Foundation Private-Purpose Trust Fund.** This fund is used to account separately for gifts or bequests per *Education Code* Section 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the LEA's own programs.

This fund should be used when there is a formal trust agreement with the donor. Donations not covered by a formal trust agreement should be accounted for in the general fund. Amounts in the Foundation Private-Purpose Trust Fund shall be expended only for the specific purposes of the gift or bequest (*Education Code* Section 41032).

76–95 **Agency Funds**

76 **Warrant/Pass-Through Fund.** (Reporting of this fund to CDE is not required; however, it is required to be included in the audited financial statements to meet GAAP reporting requirements.) This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions. It is also used to account for those receipts for transfer to agencies for which the LEA is acting simply as a "cash conduit."

It is recommended that two agency funds be used at a local level: one for clearing payroll withholdings and another for the pass-through of resources. If the LEA chooses to report this information to CDE, the funds would combine into one Fund 76.

95 **Student Body Fund.** (Reporting of this fund to CDE is not required; however, it is required to be included in the audited financial statements to meet GAAP reporting requirements.) In the financial reports of the LEA, the Student Body Fund (Fund 95) is an agency fund and, therefore, consists only of accounts such as Cash and balancing liability accounts, such as Due to Student Groups. The student body itself maintains its own general fund, which accounts for the

Procedure 305 Fund Classification

Code

Definition

transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code* sections 48930–48938). Sources of receipts include, but are not limited to, fund-raising ventures, student store merchandise sales, athletic and student body performances, concessions, publications, gifts, grants, and interest. Unorganized student body funds are governed by the same principles of student body accounting that govern organized student body funds (*Education Code* Section 48938).

Disbursements from the student body's bank account may be made for merchandise, student body activities, food, hospitality, and student awards (*California Code of Regulations, Title 5, Education*, sections 15500 and 15501).

The resource code is used to classify revenues and resulting expenditures in accordance with restrictions or special reporting requirements placed on either of these aspects of LEA financial activities by law or regulation. Further, because such revenues frequently are not fully expended within a fiscal year and related liabilities are not completely liquidated, the resource code is also used to reflect restrictions and special reporting obligations on balance sheet accounts.

How the Resource Field Is Used

Resource and Revenue Object Accounts

The resource field allows LEAs to account separately for activities funded with revenues that have restrictions on how the funds are spent (e.g., NCLB, Title I) and for activities funded with revenues that have financial reporting or special accounting requirements (e.g., State Lottery).

Restricted revenues are those funds received from external sources that are legally restricted or that are restricted by the donor to specific purposes. Unrestricted revenues are those funds whose uses are not subject to specific constraints and that may be used for any purposes not prohibited by law. Programs funded by a combination of restricted and unrestricted sources will be accounted for and reported as restricted.

Funds or activities that are not restricted or designated by the donor, but rather by the LEA's governing board, will be accounted for and reported as unrestricted. LEAs will need to review local revenues received from external sources to determine whether legal or donor restrictions apply for purposes of accounting for them as restricted or unrestricted.

Restricted revenues are accounted for in resource codes in the 2000–9999 range. Revenues whose use is unrestricted in nature but which still have reporting requirements are accounted for in unrestricted resource codes in the 1000–1999 range. Those activities using unrestricted revenues that do not have financial reporting or special accounting requirements are accounted for in Resource 0000, Unrestricted.

In combination with the resource code, the revenue object code further classifies revenues by source: revenue limit, federal, state, and local. This identification is useful because an activity or project may be funded with revenues from federal, state, and local sources. For example, a restricted federal program could also have revenues from state and/or local sources.

Procedure 310 Resource (Project/Reporting) Classification

The resource code allows related expenditures to be grouped for reporting and information purposes.

A single source of revenue that must link to expenditures will have:

- A unique resource code
- A generic revenue object code (such as Object 8290, Other Federal Revenues)

For example:

<u>Resource</u>	<u>Object</u>
3010	8290
NCLB, Title I	Other Federal Revenues

Two or more specific sources of revenues, which must link to expenditures in the aggregate, will have:

- A unique resource code
- A separate revenue object code for each type of revenue associated with that resource

For example:

<u>Resource</u>	<u>Object</u>
5310	8220
Child Nutrition School Programs	Federal Child Nutrition
	8520
	State Child Nutrition
	8634
	Local Food Service Sales

Many revenue object codes may be used with more than one resource code. For example, Revenue Object 8281, FEMA, uses Resource 5652 and Resource 5650 for FEMA revenues for which reports to the federal government are required.

Resource and Balance Sheet Accounts

The resource field also applies to balance sheet accounts. At year-end the resource field will identify the ending balance of restricted resources (e.g., Special Education, ROC/P, Instructional Materials, County

Community Schools, Juvenile Court). This field will also identify deferred revenues and the amounts due to other governmental agencies (e.g., NCLB, Title I, Vocational Education, Special Education discretionary grants).

Depending on how the LEA's financial system is programmed, balance sheet accounts such as Cash and Accounts Payable may include the resource field at the time of the transaction or may be identified as a part of year-end closing procedures. However, when year-end data are submitted to the California Department of Education (CDE), the balance sheet accounts must be identified by resource because at the state level, the resource field is used to separate the unrestricted general fund from the restricted general fund. If the balance sheet accounts have not been posted with the resource field during the year, the unrestricted and restricted accounts will be out of balance, and an additional closing entry will be needed before the information is submitted to CDE.

For example, when the accounts payable staff pays the LEA's bills, the detailed expenditure transaction (the debit) is entered into the financial system by the accounts payable staff; however, the entry to the cash account (the credit) is usually an automatic entry made by the financial system.

Most financial systems have been programmed to post any automatic balance sheet entries to the resource field. LEAs using these systems will automatically have all balance sheet transactions posted to the resource field, and no additional entry is needed at year-end.

Some financial systems may not be programmed to post automatic balance sheet entries to the resource field. In these LEAs, for state reporting purposes, the unrestricted and restricted general funds will be out of balance and an entry must be made to cash to balance the restricted and unrestricted resources. (Example 3 in Procedure 605 illustrates how an LEA would prepare this entry.)

Table of Resource Codes

The Table of Resource Codes contains the resources in numerical order with the most commonly associated revenue object codes, their number from the *Catalog of Federal Domestic Assistance (CFDA)*, and a D/F designation. Depending on the conditions placed on the receipt or expenditure of certain restricted funds, the revenue of a restricted program is recognized in the period in which it is received, and at year-end the unspent balance, or carryover, is reflected as ending balance.

These resources are indicated with F (fund balance). The revenue of other restricted resources is recognized in the period when expended, and carryover is recorded as deferred revenue. These resources are indicated with D (deferred revenue).

CDE maintains a standardized account code structure (SACS) query that provides the most current information regarding resources, including new resources established subsequent to the release of this manual. In addition, a comprehensive list of the program cost accounts (PCAs) assigned by the CDE Budget Office and associated with the resources is maintained and updated periodically with the SACS validation table updates. The reference tools are located on the SACS Web page under "Program Codes" at:

<http://www.cde.ca.gov/fg/ac/ac/>

Obsolete Resource Codes

If a resource becomes obsolete, it will appear in the Table of Resource Codes for one year with its final fiscal year in parentheses next to the title. For example, a resource with "(06-07)" in the *California School Accounting Manual (CSAM)* indicates that the last year that funding was available for this resource was fiscal year 2006-07. This resource code would then be eliminated in the subsequent edition of *CSAM*. LEAs may need to maintain this resource code in their general ledger to track carryover of balances for a longer period. Therefore, the resource code will remain in the matrix of valid combinations for a period of three years subsequent to the fiscal year in which funds were available for that resource. In the previous example, the resource would remain in the matrix for fiscal years 2007-08, 2008-09, and 2009-10 to allow for expenditure of carryover balances.

Flexibility of the Resource Field

LEAs are required to code their transactions to at least the minimum resource level required by CDE. However, LEAs may also use more detailed CDE-defined optional resource codes (indicated by italics in the resource code listing). LEAs may create locally defined resource codes but only within the specific ranges shown following. Required and optional codes are reported to CDE; locally defined codes must be rolled up by the LEA when reporting data to CDE. For further information, see "Optional and Locally Defined Codes" and "Reporting Data to the State," beginning on page 301-4.

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Resource codes are assigned by CDE just as PCA codes are assigned by CDE's Budget Office. Generally, CDE assigns resource codes only to funding sources administered by CDE. Thus, an LEA receiving program funding directly from the United States Department of Education will establish a locally defined federal resource in the Other Federal: Locally Defined range (5800–5999).

The LEA may not create its own locally defined resource codes except within the following specified ranges:

0001–0999	Unrestricted: Locally Defined
4230–4250	Bilingual Education, Discretionary Grants
4410–4430	Educational Technology
4710–4730	Gifted and Talented Education (federal)
5210–5240	Head Start
5800–5999	Other Restricted Federal: Locally Defined
7701–7799	State School Facilities Funds
7800–7999	Other Restricted State: Locally Defined
9000–9999	Other Restricted Local: Locally Defined

Note: The range 9000–9999, Other Local: Locally Defined, including Resource 9010, Other Restricted Local, is used only for local revenue that is restricted by the donor or by law for specific purposes. Unrestricted local revenue, including those amounts "restricted" by the LEA or designated by the governing board, should be reported using the range 0001–0999, Unrestricted: Locally Defined.

When data are submitted to CDE, LEAs must roll up all resources within these ranges to the specific resource code indicated for each in the Table of Resource Codes.

Procedure 310 Resource (Project/Reporting) Classification

Table of Resource Codes

(Italicized codes are optional; if used, they must be reported to CDE.)

(See previous section for explanation of table references.)

Resource Code	Resource Description	Revenue Object	D/F	CFDA
0000–1999	UNRESTRICTED RESOURCES			
0000	Unrestricted	8010– 8099, 8110 8260 8270 8280 8281 8290 8311 8425 8434 8540 8550 8590 8631 8632 8639 8660 8671 8672 8674 8689 8691 8699 8910– 8919, 8980		
0001–0999	Unrestricted: Locally defined These codes are used at the option of the LEA to track unrestricted revenues that do not have reporting requirements. When reporting to CDE, LEAs must roll up these resources to Resource 0000.			
1000–1999	Unrestricted Resources: Reporting or Special Accounting Required			

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Resource Code	Resource Description	Revenue Object	D/F	CFDA
1100	Lottery: Unrestricted	8560	F	
1200	<i>Class Size Reduction, Grade Nine</i>	8435 8980 8990	F	
1300	<i>Class Size Reduction, Grades K-3</i>	8434 8699 8980 8990	F	
2000-9999	RESTRICTED RESOURCES			
2000-2999	Restricted Revenue Limit Resources			
2200	Continuation Education (<i>Education Code</i> sections 42244 and 48438)	8091	F	
2400	Juvenile Court/County Community Schools	8091	F	
2410	<i>Juvenile Court (Education Code Section 1982.5)</i>	8091	F	
2420	<i>County Community Schools (Education Code sections 1980-1982.3)</i>	8091	F	
2430	Community Day Schools (<i>Education Code</i> sections 48660-48667)	8091 8311	F	
2900	Other Restricted Revenue Limit Sources	8091	F	
3000-5999	Federal Resources Restricted			
3010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	8290	D	84.010
3012	NCLB: Title I, Part A, Program Improvement School Assistance and Intervention Teams (SAIT)	8290	D	84.010
3013	NCLB: Title I, Part A, School Improvement SAIT Corrective Action Plans	8290	D	84.010
3020	NCLB: Title I, Basic School Support	8290	D	84.010
3025	NCLB: Title I, Part D, Local Delinquent Programs	8290	D	84.010 84.013
3030	NCLB: Title I, Part B, Reading First Program	8290	D	84.357
3035	NCLB: Title I Local Improvement Plan, Regional School Support, and Improvement Centers	8290	D	84.010
3040	NCLB: Title I, Migrant Ed Mini Corps Project (Regular and Summer)	8290 8990	D	84.011
3041	NCLB: Title I, Migrant Ed Mini Corps Summer Project	8990	D	84.011
3045	NCLB: Title I, Migrant Ed Statewide PASS Project	8290	D	84.011
3060	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	8290 8990	D	84.011
3061	NCLB: Title I, Migrant Ed Summer Program	8990	D	84.011

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Resource Code	Resource Description	Revenue Object	D/F	CFDA
3090	NCLB: Title I, Part D, Adult Correctional	8290	D	84.013
3100	NCLB: Title I, Juvenile Delinquent (06-07)	8290	D	84.013
3105	NCLB: Title I, Even Start Family Literacy	8290	D	84.213
3110	NCLB: Title I, Part C, Even Start Migrant Ed (MEES)	8290	D	84.011
3150	NCLB: Schoolwide Programs (SWP)	8290 8990	D	84.010
3155	NCLB: Consolidated Administrative Funds	NA	NA	NA
3170	NCLB: Title I, Part F, Comprehensive School Reform (CSR)	8290	D	84.332
3171	NCLB: Title I, Program Improvement & School Choice	8290	D	84.348
3172	NCLB: Title I, Achieving Schools Award	8290	D	84.010
3175	NCLB: Title I, Part A, Program Improvement District Intervention	8290	D	84.010
3176	NCLB: Title I, Part A, Program Improvement District Supplemental Grants	8290	D	84.010
3177	NCLB: Title I, Part A, Prevention of Local Educational Agency Intervention Program	8290	D	84.010
3178	NCLB: Title I, Part A, Non-Program Improvement LEAs with Program Improvement Schools	8290	D	84.010
3310	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611 (formerly PL 94-142)	8181 8287	D	84.027
3311	Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	8181	D	84.027
3315	Special Ed: IDEA Preschool Grants, Part B, Sec 619	8182	D	84.173
3316	Special Ed: IDEA Preschool Accountability Grants, Part B, Sec 619	8182	D	84.173
3317	Special Ed: IDEA Preschool Grants, Part B, Sec 619, Private School ISPs	8182	D	84.173
3320	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611	8182	D	84.027
3321	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611, Private School ISPs	8182	D	84.027
3326	Special Ed: IDEA Preschool Capacity Building, Part B, Sec 619	8182	D	84.173
3327	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	8182	D	84.027
3328	Special Ed: IDEA County Mental Health Services, Part B, Sec 611	8182	D	84.027

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Resource Code	Resource Description	Revenue Object	D/F	CFDA
3330	Special Ed: IDEA Infant Discretionary, Part B, Sec 611	8590	D	
3340	Special Ed: IDEA Local Staff Development Grant, Part B, Sec 611	8182	D	84.027
3341	Special Ed: IDEA Interpreter Certification, Part B, Sec 611	8182	D	84.027
3345	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	8182	D	84.173
3355	Special Ed: IDEA LCI Growth, Part B, Sec 611	8590	D	
3360	Special Ed: IDEA Low-Incidence Entitlement, Part B, Sec 617	8590	D	
3370	Special Ed: IDEA State/Staff Development	8182	D	84.027
3372	Special Ed: State Improvement Grant, Improving Special Ed Systems	8182	D	84.323A
3375	Special Ed: IDEA Cross-Cultural Assessment, Special Project Special Studies	8182	D	84.027
3385	Special Ed: IDEA Early Intervention Grants	8182 8590	D	84.181
3386	Special Ed: IDEA Quality Assurance & Focused Monitoring	8182	D	84.027
3395	Special Ed: Alternative Dispute Resolution	8182	D	84.027
3400	Special Ed: Disabled Children State Institutions	8182	D	84.027
3405	Special Ed: Workability I	8590	D	
3410	Department of Rehab: Workability II, Transition Partnership	8290	D	84.158
3411	Department of Rehab: Bridges to Youth Self-Sufficiency	8290	F	96.007
3505	Vocational Programs: Nontraditional Training and Employ (Carl Perkins Act)	8290	D	84.048
3510	Vocational Programs: Voc & Applied Tech Prep Programs, Title II, Sec 203 (Carl Perkins Act)	8290	D	84.243
3515	Vocational Programs: Voc & Applied Tech State Leadership, Title I, Sec 124 (Carl Perkins Act)	8290	D	84.048
3540	Vocational Programs: Voc & Appl Tech Corrections Education II B (Carl Perkins Act)	8290	D	84.048
3550	Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	8290	D	84.048
3555	Vocational Programs Postsecondary and Adult II C, Sec 132 (Carl Perkins Act)	8290	D	84.048
3710	NCLB: Title IV, Part A, Drug-Free Schools	8290	D	84.186
3715	NCLB: Drug-Free Schools: Program Development	8290	D	84.186
3718	NCLB: Title IV, Community Service Grant	8290	D	84.184C

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Resource Code	Resource Description	Revenue Object	D/F	CFDA
3831	Goals 2000: Student Academic Partnership, Grades 7–12 (06-07)	8290 8590	D	84.276
3837	Goals 2000: K–12 Reading/Language Arts, Mathematics, and English Language Development	8290	D	84.276
3900–3999	Adult Education			
3905	Adult Education: Adult Basic Education & ESL	8290	D	84.002A
3909	Adult Education: State Leadership Projects	8290	D	84.002A
3911	Adult Education: English as a Second Language (ESL)	8290	D	84.002A
3912	Adult Education: Family Literacy	8290	D	84.002A
3913	Adult Education: Adult Secondary Education	8290	D	84.002A
3926	Adult Education: English Literacy & Civics Education	8290	D	84.002A
3927	Adult Education: English Literacy & Civics Education State Leadership	8290	D	84.002A
3940	Adult Education: Institutionalized Adults	8290	D	84.002A
4035	NCLB: Title II, Part A, Teacher Quality	8290	D	84.367
4036	NCLB: Title II, Part A, Principal Training	8290	D	84.367
4045	NCLB: Title II, Part D, Enhancing Education Through Technology, Formula Grants	8290	D	84.318X
4046	NCLB: Title II, Part D, Enhancing Education Through Technology, Competitive Grants	8290	D	84.318X
4050	NCLB: Title II, Part B, CA Mathematics and Science Partnerships	8290	D	84.366
4110	NCLB: Title V, Part A, Innovative Education Strategies	8290	D	84.298A
4115	NCLB: Title V, Priority Projects	8290	D	84.298
4123	NCLB: Title IV, 21 st Century Community Learning Centers Technical Assistance	8290	D	84.287
4124	NCLB: Title IV, Part B, 21 st Century Community Learning Centers Program	8290	D	84.287
4126	NCLB: Title VI, Part B, Rural & Low Income School Program	8290	D	84.358
4201	NCLB: Title III, Immigrant Education Program	8290	D	84.365
4203	NCLB: Title III, Limited English Proficiency (LEP) Student Program	8290	D	84.365
4204	NCLB: Title III, Technical Assistance	8290	D	84.365
4216	Refugee Children Supplemental Assistance Program	8290	D	93.576

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Resource Code	Resource Description	Revenue Object	D/F	CFDA
4230–4250	Bilingual Education: Discretionary Grants–Locally defined These codes are used, at the option of the LEA, to track federal bilingual revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 4230.			
4230	Bilingual Education: Discretionary Grants, Title III	8290	D	Various
4410–4430	Educational Technology: Locally defined These codes are used, at the option of the LEA, to track federal educational technology revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 4410.			
4410	Educational Technology	8290	D	84.318
4510	Indian Education	8290	D	84.060
4600–4699	Charter Schools			
4610	NCLB: Title V, Part B, Public Charter Schools Grants	8290	D	84.282
4710–4730	Gifted and Talented Education (Javits): Locally defined These codes are used, at the option of the LEA, to track federal gifted and talented revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 4710.			
4710	Javits GATE	8290	D	84.206
5000–5199	Child Development Programs			
5025	Child Development: Federal Child Care, Center-based	8290	D	93.596
5026	Child Development: Federal Family Child Care Homes	8290	D	93.596
5035	Child Development: Quality Improvement Activities	8290 8590	D	93.575
5050	Child Development: Federal Alternative Payment	8290 8590	D	93.575 93.596
5055	Child Development: Local Planning Councils	8290	D	93.596
5061	Child Development: Federal Alternative Payment, Stage II	8290	D	93.575 93.596
5062	Child Development: Federal Alternative Payment, Stage III	8290	D	93.575 93.596
5080	Child Development: School-Age Child Care Resource Contracts	8290	D	93.575
5085	Child Development: Federal Resource and Referral	8290	D	93.575 93.596

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Resource Code	Resource Description	Revenue Object	D/F	CFDA
5095	Child Development: Infant/Toddler Child Care Resource Contracts	8290	D	93.575
5100	Child Development: Centralized Eligibility List	8290	D	93.575
5210-5240	Head Start Program: Locally defined These codes are used, at the option of the LEA, to track federal Head Start revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 5210.			
5210	Head Start	8290	D	93.600
5310	Child Nutrition: School Programs (e.g., School Lunch, School Breakfast, Milk, Pregnant & Lactating Students)	8220 8520 8634 8091 8099	F	10.553 10.555 10.556
5320	Child Nutrition: Child Care Food Program (CCFP) Claims-Centers and Family Day Care Homes (Meal Reimbursements)	8220 8520	F	10.558
5330	Child Nutrition: Summer Food Service Program Operations	8220	F	10.559
5335	Child Nutrition: Summer Food Service Sponsor Administration	8220	F	10.559
5340	Child Nutrition: CCFP Cash in Lieu of Commodities	8220	F	10.558
5350	Child Nutrition: CCFP Family Day Care Sponsor Admin	8220	F	10.558
5360	Child Nutrition: CCFP Startup	8220	F	10.558
5375	Child Nutrition: Summer Food Service Startup	8220 8520	D	10.559
5380	Child Nutrition: School Breakfast Startup	8520 8990	D	
5451	Child Nutrition: Garden Enhanced Nutrition Education Project	8590	D	
5453	Child Nutrition: SHAPE California Model Nutrition Education	8699	D	
5454	Child Nutrition: Team Nutrition	8290	D	10.574
5510	NCLB: Title V, Part D, Character Education	8290	D	84.215
5575	CalServe: Learn & Serve America	8290	D	94.004
5600	Workforce Investment Act (formerly JTPA) (06-07)	8290	D	17.255
5610	Workforce Investment Act (WIA) From Other Agencies (LWIB)	8290	D	17.255
5630	NCLB: Title X, McKinney-Vento Homeless Assistance Grants	8290	D	84.196
5640	Medi-Cal Billing Option	8290	F	93.778
5650	FEMA Public Assistance Funds	8281	F	97.036

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Resource Code	Resource Description	Revenue Object	D/F	CFDA
5652	FEMA Hazard Mitigation Grant	8281	D	97.039
5800–5999	Other Restricted Federal: Locally defined These codes are used, at the option of the LEA, to track all other restricted federal revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 5810.			
5810	Other Restricted Federal	8182 8290	D/F	Various
6000–7999	State Resources Restricted			
6010	After School Education and Safety (ASES)	8590	D	
6015	Adults in Correctional Facilities	8590	F	
6020	CSIS: California School Information Service	8590	D	
6030	Charter School Facility Grant Program	8590	D	
6040	Child Development: State Alternative Payment	8590	D	
6041	Child Development: State Alternative Payment Stage II	8590	D	
6042	Child Development: State Alternative Payment, Stage III	8590	D	
6045	Child Development: State Local Planning Councils	8590	D	
6050	Child Development: Prekindergarten and Family Literacy, Part-Day	8590	D	
6051	Child Development: Prekindergarten and Family Literacy, Full-Day Option	8590	D	
6052	Child Development: Prekindergarten and Family Literacy, Program Support	8590	D	
6055	Child Development: State Preschool	8590 8673	D	
6056	Child Development: Preschool, Full-Day	8590 8673	D	
6060	Child Development: State General Child Care, Center-based	8530 8590	D	
6065	Child Development: Migrant Day Care Centers	8530 8590	D	
6070	Child Development: Migrant Special Services	8530 8590	D	
6075	Child Development: State Family Child Care Homes	8590	D	
6080	Child Development: Extended Day Care (Latchkey)	8530	D	
6091	Cal-SAFE Academic and Supportive Services	8590	F	
6092	Cal-SAFE Child Care and Development Services	8590	F	
6093	Cal-SAFE County Classroom	8590	F	
6110	Child Development: Resource & Referral	8590 8660	D	

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Resource Code	Resource Description	Revenue Object	D/F	CFDA
6130	Child Development: Center-Based Reserve Account	8990	F	
6131	Child Development: Resource & Referral Reserve Account	8990	F	
6132	Child Development: Alternative Payment Reserve Account	8990	F	
6140	Child Development: Child Care Facilities Revolving Fund	8979	F	
6144	Child Development: Instructional Materials and Supplies	8590	D	
6145	Child Development: Facilities Renovation and Repair	8590	D	
6200	Class Size Reduction Facilities Funding	8590	F	
6205	Deferred Maintenance Apportionment (Use in Fund 14, Deferred Maintenance)	8540	F	
6215	Gang Risk Intervention Program (06-07)	8590	D	
6225	Emergency Repair Program, Williams Case	8590	D	
6226	School Facilities Needs Assessment Grant Program, Williams Case	8590	F	
6240	Healthy Start: Planning Grants and Operational Grants	8590	D	
6250	Early Mental Health Initiative (EMHI) (Department of Mental Health)	8590	D	
6258	Physical Education Teacher Incentive Grants	8590	F	
6260	Alternative Certification Program for Intern Teachers (CCTC)	8590	D	
6262	Pre-Internship Teaching Program (CTC)	8590	D	
6263	Paraprofessional Teacher Training (CTC)	8590	D	
6265	Teachers As a Priority (TAP) Block Grant (06-07)	8590	D	
6267	National Board Certification Teacher Incentive Grant	8590	D	
6268	Certificated Staff Performance Incentive Bonus	8590	F	
6275	Teacher Recruitment and Retention	8590	D	
6285	Community-Based English Tutoring	8590	F	
6286	English Language Acquisition Program, Teacher Training & Student Assistance	8590	F	
6287	English Language Learner Acquisition and Development Pilot	8590	F	
6296	Calif. Public School Library Act of 1998	8590	F	
6300	Lottery: Instructional Materials	8560	F	
6310	School/Law Enforcement Partnership: Mini-Grants (06-07)	8590	D	

Procedure 310 Resource (Project/Reporting) Classification

Resource Code	Resource Description	Revenue Object	D/F	CFDA
6315	School/Law Enforcement: Conflict Resolution & Youth Mediation (06-07)	8590	D	
6316	Tolerance Education Program	8590	D	
6330	School/Community Policing Partnerships	8590	D	
6340	Parent/Teacher Involvement: Nell Soto Program	8590	D	
6341	Parent/Teacher Involvement: Teresa Hughes Family/School Partnerships	8590	D	
6342	Parent/Teacher Involvement: Tom Hayden Community Parent Involvement	8590	D	
6350	ROC/P Apportionment	8091 8097 8099 8311 8319 8791 8792 8793	F	
6355	ROC/P: Training & Certification for Community Care (Dept Develop Service)	8590	F	
6360	Pupils with Disabilities Attending ROC/P	8311	F	
6365	ROC/P: Equipment	8590	F	
6375	Industry-Based Certification Incentive Grant Program	8590	F	
6377	Career Technical Education Equipment and Supplies	8590	F	
6378	California Health Science Capacity Building Project	8590	D	
6380	School-to-Career Local Partnerships (06-07)	8590	D	
6390	Adult Education Apportionment (Use in Fund 11, Adult Education)	8311	F	
6405	School Safety & Violence Prevention, Grades 8–12	8590	F	
6500	Special Education	8091 8097 8099 8311 8319 8590 8710 8791 8792 8793 8980	F	
6510	Special Ed: Early Ed Individuals with Exceptional Needs (Infant Program)	8311	F	
6515	Special Ed: Infant Discretionary Funds	8590	D	

Procedure 310 Resource (Project/Reporting) Classification

Resource Code	Resource Description	Revenue Object	D/F	CFDA
6535	Special Ed: Personnel Staff Development	8590	D	
6540	Special Ed: State Staff Development	8590	D	
6575	High-Risk Youth and Public Safety Program (06-07)	8590	D	
6585	Reading Professional Development Institute (06-07)	8590	F	
6650	Tobacco-Use Prevention Education: Discretionary District Grants	8590	D	
6660	Tobacco-Use Prevention Education: Elementary Grades 4–8	8590	D	
6670	Tobacco-Use Prevention Education: Grades Nine through Twelve	8590	D	
6680	Tobacco-Use Prevention Education: COE Administration Grants	8590	D	
6700	WIA: State Match (06-07)	8590	D	
6701	WIA: Regional Coordination (06-07)	8590	D	
6760	Arts and Music Block Grant	8590	F	
6761	Arts, Music, and Physical Education Supplies and Equipment	8590	F	
6781	AIDS Education: W/Health Services (06-07)	8590	D	
7005	Categorical Programs Per ADA Allocations	8590	F	
7010	Agricultural Vocational Incentive Grants	8590	D	
7015	American Indian Education Centers	8590	D	
7021	Child Nutrition: Linking Education, Activity, & Food (LEAF)	8590	D	
7022	Child Nutrition: California Fresh Start Pilot	8520	F	
7023	Child Nutrition: California Fresh Start Pilot – Training and Evaluation	8590	D	
7026	Instructional School Gardens	8590	F	
7045	Targeted Instruction Improvement Grants Program (TIIG)	8590	F	
7055	CAHSEE Intensive Instruction and Services	8590	F	
7056	CAHSEE Individual Intervention Materials	8590	F	
7060	Dropout Prevention: Educational Clinics (06-07)	8590	D	
7065	Dropout Prevention: Implementation Model (06-07)	8590	D	
7070	Dropout Prevention: Alternative Work Centers (06-07)	8590	D	
7075	Dropout Prevention: Motivation/Maintenance (06-07)	8590	D	
7080	Supplemental School Counseling Program	8590	F	
7090	Economic Impact Aid (EIA)	8311	F	
7091	Economic Impact Aid: Limited English Proficiency (LEP)	8311	F	
7100	Education Technology: Digital High School	8590	D	

Procedure 310 Resource (Project/Reporting) Classification

Resource Code	Resource Description	Revenue Object	D/F	CFDA
7101	Education Technology: Digital High School Staff Development & Support	8590	F	
7105	Education Technology: High Tech High Schools (06-07)	8590	D	
7110	Education Technology: CTAPS, SETS, & Supplemental Grants	8590	D	
7120	Education Technology: Staff Development	8590	F	
7125	Education Technology: Institute for Computer Technology (06-07)	8590	D	
7126	California K–12 High Speed Network	8590	D	
7130	Early Intervention for School Success (EISS) (06-07)	8590	D	
7135	Environmental Education	8590	D	
7140	Gifted & Talented Education (GATE)	8311	F	
7155	Instructional Materials: Grades K–8 (Includes Disaster Funding and Fast Growth)	8590	F	
7156	Instructional Materials Realignment, IMFRP (AB 1781)	8590	F	
7157	Instructional Materials: English Language Learners	8590	F	
7158	Instructional Materials: Williams Case	8590	F	
7160	Instructional Materials: Grades 9–12	8590	F	
7170	Instructional Material: Braille & Large Print	8590	F	
7200	Miller-Unruh Reading Program	8590	F	
7210	American Indian Early Childhood Education	8590	D	
7220	Partnership Academies Program	8590	D	
7227	Information Technology Career Academy Grant (06-07)	8590	D	
7230	Transportation: Home to School	8311 8675 8677 8980 8990	F	
7235	Transportation: School Bus Replacement	8590 8990	D	
7236	School Bus Emissions Reduction Funds	8590 8699	D/F	
7240	Transportation: Special Education (Severely Disabled/Orthopedically Impaired) <i>Education Code</i> sections 41850–41851.2	8311 8675 8677 8980	F	
7250	School Based Coordination Program (SBCP)	8590 8990	F	

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Resource Code	Resource Description	Revenue Object	D/F	CFDA
7255	Immediate Intervention/Underperforming Schools Program	8590	D	
7256	II/USP: SAIT Corrective Action Plan	8590	D	
7258	High Priority School Grants Program	8590	D	
7259	High School Pupil Success Act (HSPSA)	8290 8590	D	
7260	School Improvement Program (SIP) (06-07)	8311 8990	D	
7265	<i>School Improvement Program (optional: LEA may use to report grades 7–12 funding separately) (06-07)</i>	8311 8990	D	
7268	High Priority Schools: SAIT and Corrective Action	8590	D	
7271	California Peer Assistance & Review Program for Teachers (CPARP)	8590	F	
7275	Staff Development: Bilingual Teacher Training (BTTP)	8590 8990	D	
7276	Certificated Staff Mentoring Program	8590	F	
7280	Staff Development: Beginning Teacher Support & Assessment Study (BTSA) (06-07)	8590	D	
7282	Staff Development: High School Coaching Training	8590	D	
7286	International Baccalaureate (IB) Program: Staff Development & Startup	8590	F	
7293	Staff Development: Mathematics Teacher Partnership Pilot	8590	D	
7294	Staff Development: Mathematics and Reading (AB 466)	8590	F	
7295	Staff Development: Reading Services for Blind Teachers	8590	D	
7296	Staff Development: Teachers of English Language Learners	8590	F	
7320	Staff Development: Administrator Training and Evaluation	8590	D	
7325	Staff Development: Administrator Training (AB 75)	8590	F	
7335	Staff Development: Intersegmental College Readiness (06-07)	8590	D	
7337	Academic Improvement & Achievement: Regional Partnerships	8590	F	
7340	Staff Development: Intersegmental Advancement Via Individual Determination (AVID)	8590	D	
7345	Staff Development: Intersegmental California Teacher Education Institutes (CTEI) (06-07)	8590	D	
7360	Student Organizations Vocational Education	8590	D	
7365	Supplementary Programs: Foster Youth	8590	D	

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Resource Code	Resource Description	Revenue Object	D/F	CFDA
7366	Supplementary Programs: Foster Youth in Licensed Foster Homes	8590	D	
7367	Supplementary Programs: Foster Youth Services Juvenile Detention	8590	D	
7370	Supplementary Programs: Specialized Secondary	8590	D	
7375	Tenth Grade Counseling	8590	F	
7385	County Oversight, Williams Case	8590	F	
7386	Fiscal Solvency Plans	8590	D	
7390	Pupil Retention Block Grant	8590	F	
7391	School Community Violence Prevention Grant	8590	F	
7392	Teacher Credentialing Block Grant	8590	F	
7393	Professional Development Block Grant	8590	F	
7394	Targeted Instructional Improvement Block Grant	8590	F	
7395	School and Library Improvement Block Grant	8590	F	
7396	Discretionary Block Grant – School Site	8590	F	
7397	Discretionary Block Grant – School District	8590	F	
7398	Instructional Materials, Library Materials, and Education Technology	8590	F	
7400	Quality Education Investment Act	8590	F	
7701– 7799	State School Facilities Projects These codes are used to track capital projects funded by the Office of Public School Construction. When reporting to CDE, LEAs must roll up these resources to Resource 7710.			
7710	State School Facilities Projects	8545	F	
7800– 7999	Other Restricted State: Locally defined These codes are used, at the option of the LEA, to track all other restricted state revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 7810.			
7810	Other Restricted State	8590	D/F	
8000– 9999	Local Resources Restricted			
8100	Routine Repair and Maintenance (RRRMF: <i>Education Code Section 17014</i>)	8980	F	
8150	Ongoing and Major Maintenance Account (RMA: <i>Education Code Section 17070.75</i>)	8980	F	

Procedure 310 Resource (Project/Reporting) Classification

Resource Code	Resource Description	Revenue Object	D/F	CFDA
9000–9999	Other Restricted Local: Locally defined These codes are used, at the option of the LEA, to track all other local revenues or other financing sources that are not defined elsewhere and that are restricted to specific purposes by the donor or by law. (Refer to pages 310-1 and 310-5 for additional discussion of restricted programs and activities.) When reporting to CDE, LEAs must roll up these resources to Resource 9010.			
9010	Other Restricted Local	8610–8699 8931–8979	D/F	

The goal field defines an objective or a set of objectives for the LEA. Another way to view the goal is to look at the instructional setting or the group of students who are receiving instructional services: regular classes, special education classes, vocational education, adult education, or community service, for example.

How the Goal Field Is Used

The goal field provides the framework for charging instructional costs and support costs to the benefiting objectives. For example, both a special education teacher (an instruction function) and a special education counselor (a guidance and counseling function) would be charged to a Special Education goal.

The goal field applies primarily to expenditure accounts, but it may be used with revenue accounts. However, a 5xxx goal is required with both special education revenue and expenditure accounts.

Those expenditures in activities (functions) that are not directly assignable to a goal at the time of expenditure are charged to Goal 0000, Undistributed. Costs remaining in Goal 0000 are eventually distributed to benefiting goals using standardized allocation factors (see Procedure 910).

In general, the following guidelines should be used in coding goals with functions:

Instructional Goals (Goals 1000–6999) and Nonagency Goals (Goals 7100–7199):

- Typically used with Function 1000, Instruction, and the Special Education instructional functions 1100 through 1199. May be used with Function 4000, Ancillary Services.
- May be used with functions 2000–2999, Instruction-Related Services, and functions 3000–3999, Pupil Services, if the expenditures can be directly identified and supported with a goal.

Community Services and Child Care Services Goals (Goals 8100 and 8500):

- Typically used with Function 5000, Community Services.

- May be used with Function 3600, Pupil Transportation, and Function 3700, Food Services, if the expenditures can be directly identified and supported with a goal.

Undistributed Goal (Goal 0000):

- May be used with those expenditures in functions 2000–2999, Instruction-Related Services; functions 3000–3999, Pupil Services; functions 7000–7999, General Administration; and functions 8000–8999, Plant Services.
- LEAs may wish to transfer Goal 0000 costs to other goals on the basis of supporting documentation or allocation factors. The transfers are done using Object 5710, Transfers of Direct Costs, and Object 5750, Transfers of Direct Costs—Interfund. For additional information, see Procedure 615.

Flexibility of the Goal Field

LEAs are required to code their transactions to at least the minimum goal level required by CDE. However, LEAs may also create their own locally defined goal codes. Required codes are reported to CDE; locally defined codes must be rolled up by the LEA when reporting data to CDE. For further information, see "Optional and Locally Defined Codes" and "Reporting Data to the State," beginning on page 301-4.

CDE has provided two specific ranges of goals for use as locally defined codes:

- Goals 1130–1999, for local definition of regular K–12 instruction. When reporting data to CDE, LEAs must roll up these goals to Goal 1110, Regular Education, K–12
- Goals 4130–4399, for local definition of regular adult education. When reporting data to CDE, LEAs must roll up these goals to Goal 4110, Regular Education, Adult.

Importance of the Goal Field in Program Cost Accounting

The goal field provides the framework for program cost accounting. It is important to understand and apply the appropriate costing principles when charging costs to the benefiting goals. (Procedure 910 addresses these principles.)

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Salaries and wages direct-charged to a goal will, in most cases, require supporting documentation. The level of documentation needed depends on whether the funding for the program is restricted or unrestricted and whether the program is instructional or noninstructional (refer to Procedure 905).

Nonpersonnel costs direct-charged to a goal should be substantiated by documentation that identifies the program(s) that received the service, supply, or equipment. The dated signature of a program administrator on a tracking document acknowledging receipt of the service, supply, or equipment is usually sufficient to validate the charge.

Procedure 320 Goal Classification

List of Goal Codes

<u>Code</u>	<u>Title</u>
0000	UNDISTRIBUTED
0001–6999	INSTRUCTIONAL
0001–0999	General Education, Pre-K
0001	General Education, Pre-K
1000–3999	General Education, K–12
1110	Regular Education, K–12
1130–1999	Other K–12 Subject Matter and Other K–12 Tracking—Locally defined (When reporting data to CDE, LEAs must roll up these goals to Goal 1110.)
2000–2999	Reserved for Future State Definition for Other Subject Matter and Other Tracking
3100	Alternative Schools
3200	Continuation Schools
3300	Independent Study Centers
3400	Opportunity Schools
3500	County Community Schools (county offices only)
3550	Community Day Schools
3600	Juvenile Courts
3700	Specialized Secondary Programs
3800	Vocational Education
4000–4749	General Education, Adult
4110	Regular Education, Adult
4130–4399	Other Subject Matter and Other Tracking, Adult—Locally defined (When reporting data to CDE, LEAs must roll up these goals to Goal 4110.)
4610	Adult Independent Study Centers
4620	Adult Correctional Education
4630	Adult Vocational Education
4750–4999	Supplemental Education, K–12
4760	Bilingual
4850	Migrant Education
4900	Other Supplemental Education (county offices only)

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<u>Code</u>	<u>Title</u>
5000–5999	Special Education
5001	Special Education—Unspecified
5050	Regionalized Services
5060	Regionalized Program Specialist
5710	Special Education, Infants
5730	Special Education, Preschool Students
5750	Special Education, Ages 5–22 Severely Disabled
5770	Special Education, Ages 5–22 Nonseverely Disabled
6000–6999	Regional Occupational Center/Program (ROC/P)
6000	Regional Occupational Center/Program (ROC/P)
7000–9999	OTHER GOALS
7100–7199	Nonagency
7110	Nonagency—Educational
7150	Nonagency—Other
8100–8199	Community Services
8100	Community Services
8500–8599	Child Care and Development Services
8500	Child Care and Development Services
8600–8699	County Services to Districts
8600	County Services to Districts
9000–9999	Other Goals—Locally Defined
9000	Other Local Goals

Goal Code Definitions**Code Definition****0000 UNDISTRIBUTED**

Undistributed expenditures are expenditures other than those for instruction, ancillary services, and community service functions that are not directly assignable at the time of transaction to a specific goal.

Expenditures accumulated in Goal 0000 can be distributed to benefiting goals based on supporting documentation or will eventually be distributed to benefiting goals using standardized allocation factors. Goal 0000 is also used for revenues and balance sheet transactions for which a goal is not required. Generally, use Goal 0000, Undistributed, with an enterprise fund. The costs in an enterprise fund are not included in the program cost report (PCR), nor are the goals of an enterprise fund necessary for the LEA's government-wide statements.

Pursuant to guidance in Procedure 905, county offices of education that have staff within the county office or county board of education performing similar support-type activities for their own LEA and for their school districts may charge the costs as follows:

- 50 percent to Goal 0000, Undistributed (for general administrative support)
- 50 percent to Goal 8600, County Services to Districts

0001–6999 INSTRUCTIONAL**0001–0999 General Education, Pre-K**

0001 General Education, Pre-K. A group of activities and/or services that provides educational experiences for children during the year or years preceding kindergarten that is part of a sequential program of an elementary school and is under the direction of a qualified teacher. The term "general" refers to basic skill areas that emphasize beginning literacy and numeracy. General Education, Pre-K, does not include special education.

This goal would include those child development programs that require teachers to possess a children's center instructional permit.

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<u>Code</u>	<u>Definition</u>
	Local child care programs that are not subsidized by state or federal funds and that are operated with the intent of recovering the costs of the program through parent fees or other charges are typically accounted for in an enterprise fund.
1000–3999	General Education, K–12. A group of activities and/or services that provides students in kindergarten through grade 12 (K–12) with learning experiences that prepare them for roles as citizens, family members, and employable workers. The term "general" refers to basic skill areas that emphasize literacy, numeracy, and knowledge in languages, mathematics, sciences, history and related social studies, arts, and other subject areas, including vocational and technical education.
1110	Regular Education, K–12. Educational programs that are designed to serve the vast majority of the public school student population in traditional settings. This goal should not be used by county offices of education except for a county-operated charter school. A second exception to this general rule would be for county-operated child development programs that require teachers to possess a children's center instructional permit.
1130–1999	Other K–12 Subject Matter and Other K–12 Tracking—Locally defined. LEAs may use these codes to locally track regular K–12 education expenditures by subject matter. They may include languages, mathematics, sciences, history and related social studies, and arts. When reporting data to CDE, LEAs must roll up these goals to Goal 1110.
2000–2999	Reserved for Future State Definition for Other Subject Matter and Other Tracking
3100	Alternative Schools. A school or separate class group established in a school district or county office of education that is operated to (a) maximize the opportunity for students to develop self-reliance, initiative, kindness, spontaneity, resourcefulness, courage, creativity, and joy; (b) recognize that the best learning takes place when the student learns because of his or her desire to learn; (c) maintain a learning situation maximizing student self-motivation and encouraging the student in his or her own time to follow his or her own interests; (d) maximize the opportunity for teachers, parents, and students to cooperatively develop the learning process and its subject matter; and (e) maximize the opportunity for the students, teachers, and parents to continually react to the changing world (<i>Education Code</i> Section 58500). A county office of education would use this goal to record the expenditures for the Cal-SAFE County Classroom Program (Resource 6093).

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<u>Code</u>	<u>Definition</u>
3200	Continuation Schools. Schools and classes established by high school and unified school districts to provide all of the following: (a) an opportunity for pupils to complete the academic courses of instruction to graduate from high school; (b) a program of instruction that emphasizes occupational orientation or a work-study schedule and offers intense guidance services to meet the special needs of pupils; and (c) a program designed to meet the educational needs of each pupil, including, but not limited to, independent study, regional occupational programs, work study, career counseling, and job placement services as a supplement to classroom instruction (<i>Education Code</i> Section 48430). Continuation schools are funded with Resource 2200, Continuation Education.
3300	Independent Study Centers. Study centers conducting activities undertaken by school districts pursuant to <i>Education Code</i> sections 46300(e) and 51745–51749 to provide certain students with the option of schooling apart from classrooms. For reporting purposes, include in this goal only those activities that provide full-time education pursuant to a written agreement, as required by statutes and regulations, as an alternative to daily attendance in a classroom. Do not include students participating in limited periods of full-time independent study because of illness, family vacation, and so on.
3400	Opportunity Schools. Alternative school, class, or program placements that may be provided by school districts or county boards of education for pupils who demonstrate irregular attendance or who are at risk of being habitually truant or who are in danger of becoming insubordinate or disorderly during their attendance. The intent is to provide instruction to resolve the problems so that the students may maintain themselves in regular classes or return to regular classes or regular schools as soon as practicable (<i>Education Code</i> sections 48640 and 48641).
3500	County Community Schools (COE only). Schools established by a county board of education and administered by the county superintendent for (a) pupils who have been expelled from a school district; (b) pupils who have been referred to county community schools by a school district on the recommendation of a school attendance review board or whose school districts of attendance have, at the request of the pupils' parents or guardians, approved the pupils' enrollment in a county community school; (c) pupils who are probation-referred pursuant to the <i>Welfare and Institutions Code</i> or are on probation or parole and not in attendance in any school or expelled; and (d) homeless children (<i>Education Code</i> Section 1981). County community schools are funded by Resource 2400, Juvenile Court/County Community Schools (or optional Resource 2420, County Community Schools).
3550	Community Day Schools. Schools established by a governing board of a school district or county office of education for students who (a) have been expelled for

Procedure 320 Goal Classification

<u>Code</u>	<u>Definition</u>
	any reason; (b) are on probation pursuant to the <i>Welfare and Institutions Code</i> ; or (c) are referred by a School Attendance Review Board (SARB) or any other attendance review board (<i>Education Code</i> sections 48660–48667). Community day schools are funded by Resource 2430, Community Day Schools.
3600	Juvenile Courts. Public schools in juvenile halls, juvenile homes, day centers, juvenile ranches, camps, and so forth provided by the county board of education or by contract with the governing board of the local school district (<i>Education Code</i> Section 48645). Juvenile Court schools are funded by Resource 2400, Juvenile Court/County Community Schools (or optional Resource 2410, Juvenile Court).
3700	Specialized Secondary Programs. Secondary schools established to provide advanced instruction and training in high-technology fields and in the performing arts. These schools benefit the state economy by providing talented students with enhanced learning opportunities in high-technology fields and in the performing arts while the students are enrolled in schools that are in close proximity to where the industries are located (<i>Education Code</i> Section 58800).
3800	Vocational Education. Refers to skill areas, such as distributive education, health, home economics, industrial arts, technology, and trades, designed to prepare students for gainful employment. The Vocational Education goal is used to track the costs of vocational education students and is not used for adult education, ROC/P, or special education costs.
4000–4749	General Education, Adult. Refers to a group of activities and/or services for adults who have not completed or have interrupted their formal schooling and have subsequently taken on adult roles and responsibilities. Programs in which adults develop knowledge and skills to meet their immediate and long-range educational objectives include activities to foster the development of fundamental tools of learning; prepare students for a postsecondary career or postsecondary education program; upgrade occupational competence; prepare students for a new or different career; develop skills and appreciation for special interests; and enrich the aesthetic qualities of life. Adult basic education is included in these goals (<i>Education Code</i> sections 41976 and 52610).
4110	Regular Education, Adult. Educational programs that are designed to serve the vast majority of the adult student population in more traditional settings.
4130–4399	Other Subject Matter and Other Tracking, Adult—Locally defined. LEAs may use these codes to locally track regular adult education expenditures by subject matter. They may include languages, mathematics, sciences, history and

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<u>Code</u>	<u>Definition</u>
	related social studies, and arts. When reporting data to CDE, LEAs must roll up these goals to Goal 4110.
4610	Adult Independent Study Centers. Study centers providing adult education classes and courses through independent study for adult students as defined in <i>Education Code</i> Section 41976.2.
4620	Adult Correctional Education. Classes established for prisoners in any county jail, county honor farm, county industrial farm, or county or joint-county road camp for the purpose of providing instruction in civic, vocational, literacy, health, homemaking, technical, and general education (<i>Education Code</i> sections 1900 and 41841.5).
4630	Adult Vocational Education. Refers to skill areas, such as distributive education, health, home economics, industrial arts, technology, and trades, designed to prepare adult students for gainful employment.
4750–4999	Supplemental Education, K–12. A group of activities and/or services designed to meet the needs of students in areas other than the basic skill areas. Supplemental education does not include special education.
4760	Bilingual. Activities and/or services provided to students from homes where English is not the primary language.
4850	Migrant Education. Activities and/or services provided for children under the age of 18 of migrant agricultural workers and migratory fishermen whose situations require additional resources through regional coordinating offices (<i>Education Code</i> sections 54440–54445). This goal is used with the migrant education resources.
4900	Other Supplemental Education (COE only). Activities or programs offered by county offices of education to directly serve students who attend other schools and who are not students of the county office, such as Foster Youth Services or Tutors for Indian Education. This goal may be associated with Function 1000, Instruction, or Function 3110, Guidance and Counseling, for example. County offices of education use Goal 3100 when providing services to students in their own programs, such as the Cal-SAFE County Classroom/Pregnant Minors Program, or Goal 8600 when providing services such as nursing or psychological services to direct service districts.
5000–5999	Special Education. Activities and/or services to students with exceptional needs who are assigned individualized education programs (IEPs). The activities and/or

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<u>Code</u>	<u>Definition</u>
	services in the IEPs are designed for students with exceptional mental or physical needs and incorporate distinctive techniques, materials, and arrangements to suit their learning needs.
	Psychologist services for assessment testing for students with an IEP are coded to goals 5000–5999, using Function 3120, Psychological Services.
5001	Special Education—Unspecified. This code is used to account for the costs of services that are not identified for a specific special education population or setting as listed below. Goal 5001 may not be used with the special education instruction functions. These costs must be directly charged to a definitive special education goal, such as Goal 5750, Special Education, Ages 5–22 Severely Disabled.
5050	Regionalized Services. Regionalized services to local special education programs include personnel development for staff, parents, and community; data collection; curriculum development; and provision for ongoing review of programs under the local plan (<i>Education Code</i> Section 56836.23).
5060	Regionalized Program Specialist. A program specialist has a special credential and advanced training in special education to assist instructional staff, plan programs, and provide staff development in a specialized area (<i>Education Code</i> sections 56362 and 56368). If a program specialist is working in a specific special education setting, his or her cost should be charged to that goal. If a program specialist is working on a regionalized basis, his or her cost should be charged to Goal 5060.
5710	Special Education, Infants. Children who are younger than three years of age and are identified by the district, the special education local plan area, or the county office as requiring intensive special education and services as defined by the State Board of Education (<i>Education Code</i> Section 56026[c][1]).
5730	Special Education, Preschool Students. Children with exceptional needs between the ages of three and five years inclusive (<i>Education Code</i> Section 56440). A five-year-old who meets the eligibility criteria to be identified as a kindergartner shall be included in either Goal 5750 or Goal 5770 (<i>Education Code</i> Section 56441.1).
5750	Special Education, Ages 5–22 Severely Disabled. Students between the ages of five (who have been identified as kindergartners) and 18 years identified as requiring intensive special education and services and students between the ages of 19 and 21 years, and certain students 22 years of age, who are enrolled in or eligible for a special education program prior to their 19 th birthday and have not

Procedure 320 Goal Classification

<u>Code</u>	<u>Definition</u>
	yet completed the prescribed course of study or who have not met proficiency standards or have not graduated from high school with a regular high school diploma (<i>Education Code</i> Section 56026). Severely disabled students have the following profound disabilities: autism, blindness, deafness, severe orthopedic impairments, serious emotional disturbances, and/or severe mental retardation (<i>Education Code</i> Section 56030.5).
5770	Special Education, Ages 5–22 Nonseverely Disabled. Students between the ages of five (who have been identified as kindergartners) and 18 years identified as requiring special education services and students between the ages of 19 and 21 years, and certain students 22 years of age, who are enrolled in or eligible for a special education program prior to their 19 th birthday and have not yet completed the prescribed course of study or who have not met proficiency standards or have not graduated from high school with a regular high school diploma (<i>Education Code</i> Section 56026). Nonseverely disabled students are those who are not identified as severely disabled.
6000–6999	Regional Occupational Center/Program (ROC/P)
6000	Regional Occupational Center/Program (ROC/P). Refers to skill areas, such as agriculture, distributive education, health, home economics, industrial arts, technology, and trades designed to prepare students for gainful employment.
7000–9999	OTHER GOALS
7100–7199	Nonagency
7110	Nonagency—Educational. Refers to activities conducted on behalf of another local educational agency (LEA) by contract or agreement for which the other LEA retains the prime responsibility. An LEA is defined as all K–12 public educational agencies, including charter schools. Such services may be instructional or supportive in nature. Use for costs of providing special education, transportation, cafeteria, or any other services to other LEAs where the other LEA retains primary responsibility for providing those services.
7150	Nonagency—Other. Refers to activities conducted on behalf of a non-LEA agency by contract or agreement for which the other agency retains the prime responsibility. Such services may be instructional or supportive in nature. Contracts for a non-LEA, such as a community college or a private school, would be coded to this goal.
8100–8199	Community Services

Procedure 320 Goal Classification

<u>Code</u>	<u>Definition</u>
8100	Community Services. A group of activities and/or services not directly related to the educational purpose and goals of an LEA. These include services and activities as authorized by the Community Recreation Act (<i>Education Code</i> Section 10900 et seq.) and by the Civic Center Act (<i>Education Code</i> Section 38130 et seq.).
8500–8599	Child Care and Development Services
8500	Child Care and Development Services. A group of activities and/or services pertaining to the operation of programs for the care of children in residential day schools or child care and development programs that are not a part of, or directly related to, LEA instructional goals. Child care and development programs that require teachers to possess a children's center instructional permit should be reported in an instructional goal, such as Goal 0001, General Education, Pre-K.
8600–8699	County Services to Districts
8600	County Services to Districts (or other county offices). Includes those activities performed by the county superintendent of schools in support of school districts or other offices of county superintendents of schools, including, but not limited to, the following: (a) coordination activities and professional services, such as supervision of instruction, health, guidance, special education, attendance, and school library services (<i>Education Code</i> Section 1700 et seq.); (b) financial services (<i>Education Code</i> Section 42100 et seq.); and (c) credential services (<i>Education Code</i> Section 44330). Pursuant to Procedure 905, county offices of education that have staff within the county office or county board of education performing similar support-type activities for their own LEA and for their school districts may charge the costs as follows: <ul style="list-style-type: none">• 50 percent to Goal 8600, County Services to Districts• 50 percent to Goal 0000, Undistributed (for general administrative support)
9000–9999	Other Goals—Locally Defined. These codes are used, at the option of the LEA, to track other local goals that are not defined elsewhere. CDE will consider these activities to be undistributed goal costs.
9000	Other Local Goals. Report local goals not defined elsewhere. These goals will be treated as Goal 0000, Undistributed, by the CDE financial reporting software and will be allocated among appropriate goals on the program cost report/allocation factor (PCR/PCRAF) work sheets.

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The function field represents a general operational area in an LEA and groups together related activities. The function describes the activities or services performed in order to accomplish a set of objectives or goal. Most LEAs use all of the functions in the process of educating students or organizing the resources to educate students. For example, to provide the appropriate atmosphere for learning, school districts transport students to school, teach students, feed students, and provide health services. Each of these activities is a function.

How the Function Field Is Used

All expenditures must be coded to a function. Although the function field applies mainly to expenditure accounts, it may be used with revenue accounts and balance sheet accounts at the discretion of the LEA.

In general, the following guidelines should be used in coding functions in combination with goals:

- Expenditures coded to instructional functions (1000–1999), ancillary service functions (4000–4999), or community service functions (5000–5999) must be directly charged to a specific goal. Goal 0000, Undistributed, and Goal 5001, Special Education—Unspecified, are not allowed with these three categories of functions.
- Expenditures coded to support service functions (2000–2999, 3000–3999) may be charged to a specific goal at the time of the transaction when there is supporting documentation. Expenditures coded to these functions that cannot be identified to a specific goal are charged to Goal 0000 and subsequently distributed to specific goals using documentation or standard allocation factors.
- Expenditures coded to general administration functions (7000–7999) are normally charged to Goal 0000 and subsequently distributed as central administrative costs.
- Expenditures coded to Function 8100, Plant Maintenance and Operations, and Function 8700, Facilities Rents and Leases, may be charged to a specific goal at the time of the transaction when there is supporting documentation (refer to the description of Function 8700 for specific limitations of that function). Expenditures coded to these functions that cannot be identified to a

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specific goal are charged to Goal 0000 and subsequently distributed to specific goals, using documentation or standard allocation factors.

See the procedures in Section 900, "Cost Accounting," for information regarding indirect costs and distributing support costs using the documented and allocated methods.

Flexibility of the Function Field

LEAs are required to code their transactions to at least the minimum function level required by CDE. However, LEAs may also use more detailed CDE-defined optional function codes (indicated by italics in the function code listing) or create their own locally defined function codes. Required and optional codes are reported to CDE; locally defined codes must be rolled up by the LEA when reporting data to CDE. For further information, see "Optional and Locally Defined Codes" and "Reporting Data to the State," beginning on page 301-4.

Importance of the Function Field in the Indirect Cost Rate Calculation

The function field is the basis for determining direct and indirect costs and for calculating the LEA's approved indirect cost rate. Charging expenditures to improper functions may result in an indirect cost rate that is too low or too high. An inaccurate rate may cause problems both in claiming indirect costs on federal and state programs and in calculating future rates. Therefore, it is important that LEAs have an understanding of the difference between agencywide general administration expenditures (indirect costs) and school- or program-level expenditures (direct costs). Care should be taken that only countywide or districtwide administrative activities remain in general administration (functions 7200–7999). (Refer to Procedure 915 for further information on the indirect cost rate process.)

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List of Function Codes

(Italicized codes are optional; if used, they must be reported to CDE.)

<u>Code</u>	<u>Title</u>
0000	NOT APPLICABLE. Used with revenues and balance sheet transactions that do not require a function; only expenditure transactions require a function.
1000–1999	INSTRUCTION
1000	Instruction
1001–1099	Instruction for Other Than Special Education—Locally defined (When reporting data to CDE, LEAs must roll up these functions to Function 1000.)
1100–1199	Special Education Instruction
1110	Special Education: Separate Classes
1120	Special Education: Resource Specialist Instruction
1130	Special Education: Supplemental Aids and Services in Regular Classrooms
1180	Special Education: Nonpublic Agencies/Schools (NPA/S)
1190	Special Education: Other Specialized Instructional Services
2000–2999	INSTRUCTION-RELATED SERVICES
2100	Instructional Supervision and Administration
2110	<i>Instructional Supervision</i>
2120	<i>Instructional Research</i>
2130	<i>Curriculum Development</i>
2140	<i>In-house Instructional Staff Development</i>
2150	<i>Instructional Administration of Special Projects</i>
2200	Administrative Unit (AU) of a Multidistrict SELPA
2420	Instructional Library, Media, and Technology
2490	Other Instructional Resources
2495	<i>Parent Participation</i>
2700	School Administration
3000–3999	PUPIL SERVICES
3110	Guidance and Counseling Services
3120	Psychological Services
3130	Attendance and Social Work Services
3140	Health Services
3150	Speech Pathology and Audiology Services
3160	Pupil Testing Services
3600	Pupil Transportation
3700	Food Services
3900	Other Pupil Services

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<u>Code</u>	<u>Title</u>
4000–4999	ANCILLARY SERVICES
4000	Ancillary Services
4100	<i>School-Sponsored Co-curricular</i>
4200	<i>School-Sponsored Athletics</i>
4900	<i>Other Ancillary Services</i>
5000–5999	COMMUNITY SERVICES
5000	Community Services
5100	<i>Community Recreation</i>
5400	<i>Civic Services</i>
5900	<i>Other Community Services</i>
6000–6999	ENTERPRISE
6000	Enterprise
7000–7999	GENERAL ADMINISTRATION
7100	Board and Superintendent
7110	<i>Board</i>
7120	<i>Staff Relations and Negotiations</i>
7150	<i>Superintendent</i>
7180	<i>Public Information</i>
7190	External Financial Audit—Single Audit
7191	External Financial Audit—Other
7200	Other General Administration
7210	Indirect Cost Transfers
7300	<i>Fiscal Services</i>
7310	<i>Budgeting</i>
7320	<i>Accounts Receivable</i>
7330	<i>Accounts Payable</i>
7340	<i>Payroll</i>
7350	<i>Financial Accounting</i>
7360	<i>Project-Specific Accounting</i>
7370	<i>Internal Auditing</i>
7380	<i>Property Accounting</i>
7390	<i>Other Fiscal Services</i>
7400	<i>Personnel/Human Resources Services</i>
7410	<i>Staff Development</i>
7430	<i>Credentials</i>
7490	<i>Other Personnel/Human Resources Services</i>
7500	Central Support
7510	<i>Planning, Research, Development, and Evaluation</i>
7530	<i>Purchasing</i>

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<u>Code</u>	<u>Title</u>
7540	<i>Warehousing and Distribution</i>
7550	<i>Printing, Publishing, and Duplicating</i>
7600	<i>All Other General Administration</i>
7700	Centralized Data Processing
8000–8999	PLANT SERVICES
8100	Plant Maintenance and Operations
8110	<i>Maintenance</i>
8200	<i>Operations</i>
8300	<i>Security</i>
8400	<i>Other Plant Maintenance and Operations</i>
8500	Facilities Acquisition and Construction
8700	Facilities Rents and Leases
9000–9999	OTHER OUTGO
9100	Debt Service
9200	Transfers Between Agencies
9300	Interfund Transfers

Procedure 325 Function (Activity) Classification

Function Code Definitions

(Italicized codes are optional; if used, they must be reported to CDE.)

Code

Definition

Note: Also, see Appendix D, "Function Codes for Common Activities," for common activities and the function codes(s) typically associated with each.

0000

NOT APPLICABLE. This code is used for revenues and balance sheet transactions for which a function is not required. All expenditures must be coded to one of the functions below.

1000–1999

INSTRUCTION

Generally used with goals 1000–7000; may be used with Goal 8500, Child Care and Development Services, and Goal 4900, Other Supplemental Education.

1000

Instruction. Instruction includes the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom or in another location, such as a home or hospital. It may also be provided through some other approved medium, such as computers, television, radio, telephone, and correspondence. Included here are the activities of aides or classroom assistance of any type (e.g., readers, teaching machines) that assist in the instructional process. Also included are noon-duty personnel.

Expenditures for instructional technology, which include costs for computers, routers and servers, software licenses, communication lines, and computer maintenance, may be coded to Function 1000, Instruction, where they can be identified directly with the classroom.

If a stipend is paid to a teacher for any noninstructional function, the stipend should be coded to the appropriate function.

Expenditures for department chairpersons who teach part time should be prorated using the full-time-equivalent (FTE) ratio. Full-time department chairpersons' expenditures should be included in Function 2700, School Administration.

Instructional functions may not be used in capital project funds.

1001–1099

Instruction for Other Than Special Education—Locally defined. LEAs may use these codes to locally track instruction expenditures other than for special education. When reporting data to CDE, LEAs must roll up these functions to Function 1000, Instruction.

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<u>Code</u>	<u>Title</u>
1100–1199	Special Education Instruction. Specialized instruction provided to special education students with individualized education programs (IEPs). These functions measure the salaries and associated costs of those personnel who work directly with the students to teach them. The following instructional functions must be used with the special education goals; they may not be used with Goal 5001, Special Education—Unspecified.
1110	Special Education: Separate Classes. Salaries, supplies, and other costs to provide separate instruction requiring placement in a separate setting because of the nature or severity of the students' special needs. Instruction may be provided in special classrooms on a part-time or a full-time basis (<i>Education Code</i> Section 56364). Students may receive a full continuum of services (<i>Education Code</i> Section 56361); however, this function records the cost of only one of those services, that of the separate class.
1120	Special Education: Resource Specialist Instruction. Salaries, supplies, and other costs to provide instruction and services for those students whose needs have been identified in an IEP, who receive services under the direction of a resource specialist, and who are assigned to another classroom or a special education separate class for a majority of a school day (<i>Education Code</i> Section 56362). Students may receive a full continuum of services (<i>Education Code</i> Section 56361); however, this function records the cost of only one of those services, that of the resource specialist.
1130	Special Education: Supplemental Aids and Services in Regular Classrooms. Salaries, supplies, and other costs needed to allow a student to receive instruction provided in a regular education classroom or in an instructional setting other than those provided for in Function 1110, Special Education: Separate Classes; Function 1120, Resource Specialist Instruction; or Function 1180, Nonpublic Agencies/Schools. Supplemental aids and services make possible program modifications and blended programs with more flexibility for the special education student.

Function 1130 services include, but are not limited to, the following:

Special Education Instructional Aides. Teaching assistants necessary to allow a special education student to participate in a regular classroom.

Interpreter Services. Sign language interpretation of spoken language through the sign system of the student and tutoring of students regarding class content through the sign system of the student.

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Braille Services. Transcription services to convert materials from print to Braille. Transcription is for textbooks, tests, work sheets, or other instructional necessities.

Assistive Technology. Devices that allow a student to participate in a regular classroom environment.

Special Education Home and Hospital Instruction. Instructional services provided to students with special needs who are either homebound or in a hospital.

1180 **Special Education: Nonpublic Agencies/Schools (NPA/S).** Instruction in accord with an IEP provided by a certified NPA/S under contract with a district, special education local plan area (SELPA), or county office when no appropriate public education program is available (*Education Code* Section 56365).

1190 **Special Education: Other Specialized Instructional Services.** Specialized instruction provided in accordance with an IEP on a pullout and/or blended basis to any special education student to supplement the instruction provided in a separate special education class, a nonpublic school, or a regular education setting. These services are instructional in nature and are provided by or under the supervision of certificated special education teachers. Other health, counseling, or psychological services provided to a special education student to help him or her benefit educationally from the regular instruction program are coded under the Pupil Services functions. The difference between types of services in an instructional function and a pupil services function sometimes may be difficult to distinguish. The main question to bear in mind is whether the student is receiving direct instruction or is being given a supplemental health or other professional service that facilitates instruction. For example, an adaptive physical education teacher provides an instructional service in which the main purpose of the class is to provide physical education. A nurse or dentist provides health care that enhances the physical condition of a student so that she or he is better able to participate in an instructional setting. As another example, a speech teacher may teach students using special techniques to help them speak and understand verbal signals, which would be coded to Function 1190; but a speech specialist, who diagnoses specific speech disorders and refers problems for medical or other professional attention to treat speech disorders, is more properly coded to Function 3150, Speech Pathology and Audiology Services.

Function 1190 services include, but are not limited to, the following:

Language and Speech. Instruction provided by a certificated teacher in language and speech skills to provide remedial intervention for students with

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difficulty understanding or using spoken language. The difficulty may result from problems with articulation, abnormal voice quality, fluency, or hearing loss.

Adaptive Physical Education. Direct physical education services provided by an adaptive physical education teacher to pupils who have needs that cannot be adequately satisfied in other physical education programs.

Orientation and Mobility Instruction. Instruction for students with identified visual impairments to develop skills in body awareness and movement around school and in the community.

Vocational Education Training. Instruction directly related to the preparation of individuals for paid or unpaid employment. This instruction may include provision for work experience, job coaching, job placement, and situational assessment.

Vision Services. This is a broad category of services provided to students with visual impairments. Assessment of an individual's visual ability should be coded to Function 3140, Health Services. The cost of classroom visual aids, such as curriculum modification and Braille textbooks, used in a general classroom setting should be coded to Function 1130. Other specialized vision services coded to Function 1190 include the student's concept development; instruction in communication skills, such as reading Braille; and career, vocational, and independent living skills.

Education Technological Services. Any specialized training or technical support for the incorporation of assistive devices, adaptive computer technology, or specialized media for the educational programs of the student.

Assistive Services. Training or technical assistance for students. See Pupil Services functions for the functional analysis of the student's need, including selecting, designing, fitting, customizing, or repairing appropriate devices.

Sign Language Service. Instruction in the use of sign language. This training is provided separately for the student. The provision of interpreters in the classroom is coded to Function 1130, Supplemental Aids and Services in Regular Classrooms.

2000–2999 INSTRUCTION-RELATED SERVICES. Instruction-related services provide administrative, technical, and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of

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instruction, community services, and enterprise programs rather than as entities within themselves.

2100

Instructional Supervision and Administration. Activities primarily for assisting instructional staff in planning, developing, and evaluating the process of providing learning experiences for students. These activities include curriculum development and staff training on techniques of instruction and awareness of how children develop and learn. This function includes both staff members who are directors or supervisors of programs, such as special education, bilingual education, or similar programs, as well as staff who are singularly involved with projects to improve curriculum and guidance of teachers in the use of instructional materials.

This function also includes the instructional administration of special projects. Special projects are those that may have their own project directors; are approved and funded from a specific resource, including federal, state, local, or private agencies; require special project budgets and audits; and may require financial reports. Special projects usually are conducted entirely in support of an instructional program or another support program. Examples of federal special projects include NCLB: Title I, Part A, Basic Grants Low-Income and Neglected, and Special Education: IDEA Local Staff Development Grant. Examples of state special projects include Economic Impact Aid and the School Improvement Program.

Salaries and associated costs of staff members who provide supplemental administrative services for a program above the general level provided by the business office, or services normally required of program managers, should be charged here. Include costs of program monitoring and preparing program plans. Because these costs are generally associated with a specific program, they may be charged to a specific resource.

Include legal costs directly identifiable with administration of an instructional program; use in combination with a specific resource, where allowed.

Pursuant to guidance in Procedure 905, the costs of assistant superintendents for instruction or equivalent positions having first-line responsibility for instructional administration and for participation in district/county policy may be charged as follows:

- 50 percent to Instructional Supervision and Administration (Function 2100)
- 50 percent to Other General Administration (Function 7200)

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Function 2100 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

2110 ***Instructional Supervision (Optional).*** Activities associated with directing, managing, and supervising instructional services.

2120 ***Instructional Research (Optional).*** Activities associated with assessing programs and instruction based on research.

2130 ***Curriculum Development (Optional).*** Activities that aid teachers in developing the curriculum, preparing and utilizing special curriculum materials, and understanding and appreciating the various techniques to stimulate and motivate students.

2140 ***In-house Instructional Staff Development (Optional).*** Expenditures for staff or consultants to develop curriculum for the professional or occupational growth and competence of instructional staff members during the time of their service to the school system or school. These activities include guiding teachers in the use of instructional materials, administering sabbaticals, providing the environment for in-service training, and so forth.

The cost of a consultant who works with teachers outside the classroom should be charged to Function 2140, Staff Development, and Object 5800, Professional and Consulting Services and Operating Expenditures.

A fee paid for an employee to attend a conference or a salary stipend for attending a staff development conference should follow the function of the employee. For example, the cost of a classroom teacher improving his or her ability to teach is an instructional cost, an "activity dealing directly with the interaction between teachers and students," and should be charged to Function 1000. Likewise, the cost of a school nurse attending a staff development conference should be coded to Function 3140, Health Services. The cost of a maintenance employee attending staff development should be coded to Function 8100, Plant Maintenance and Operations. (Please refer to the examples in Procedure 625.)

2150 ***Instructional Administration of Special Projects (Optional).*** Activities associated with the administration of special projects, such as Title I or migrant education. Special projects usually are conducted entirely in support of an instructional program or another support program. Include salaries of directors

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or supervisors of instruction-related special projects and associated clerical or program support staff. Include costs of preparing program plans, program monitoring, and performance (program-specific) audits. Costs will generally be associated with a specific resource and may have a specific goal.

2200

Administrative Unit (AU) of a Multidistrict SELPA. Activities concerned with the receipt and distribution of regionalized services funds, provision of administrative support, and coordination of the implementation of the local plan (*Education Code* Section 56195). Activities of the AU of a single-district SELPA are reported under Function 2100.

2420

Instructional Library, Media, and Technology. Activities concerned with the use of all teaching and learning resources, including hardware and content materials, methods, or experiences used for teaching and learning purposes. These activities consist of selecting, preparing, caring for, and making available to members of the instructional staff audiovisual equipment and material, education programs presented through television services, and computer-assisted instruction services. This category also includes guiding individuals in the use of library books and materials. All educational media include printed and nonprinted sensory materials. Instructional technology costs identified with computer labs and other instructional support centers may be charged to the instructional library, media, and technology function, where they can be directly identified with it.

Direct charges to the instructional library, media and technology function include salaries of librarians, library clerks, audiovisual personnel, and personnel who are involved in writing, programming, and directing ongoing educational television and computer-based instructional programs; benefits for employees in this program; library books, regardless of where they are placed in the district; audiovisual materials; repair and maintenance of equipment used in this program; and acquisition and replacement of audiovisual and library equipment

Examples of activities or items excluded as direct charges to the instructional library, media, and technology function are as follows:

1. Textbooks (to be charged to the appropriate instructional function)
2. Specific or special materials that are used exclusively in an instructional program or project and that are not part of the central library (to be charged to the appropriate instructional function as instructional supplies)
3. Computer-assisted instructional activities of an experimental nature (to be charged to instructional supervision and administration)

Function 2420 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal.

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<u>Code</u>	<u>Title</u>
	Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.
2490	Other Instructional Resources. Other activities and materials that provide students the resources to achieve appropriate student learning outcomes.
2495	<i>Parent Participation (Optional).</i> <i>Activities designed to include the parents in the student's education.</i>
2700	School Administration. Activities concerned with directing and managing the operation of a particular school. The activities include those performed by the principal, assistant principals, and other assistants while they supervise all operations of the school, evaluate the staff members, assign duties to staff members, supervise and maintain the school records, and coordinate school instructional activities with those of the LEA. These activities also include the work of clerical staff in support of the teaching and administrative duties, including school-level attendance recording and reporting. Other school administration services include graduation expenditures and department chairpersons.

Pursuant to guidance in Procedure 905:

Small school districts and charter schools that have one person performing the functions of both the principal and the superintendent may charge the costs as follows:

- 70 percent to School Administration (Function 2700)
- 30 percent to Board and Superintendent (Function 7100)

Small school districts and charter schools with staff members performing support duties for both school administration and business office administration may charge the costs as follows:

- 70 percent to School Administration (Function 2700)
- 30 percent to Other General Administration (Function 7200)

Function 2700 is generally used with Goal 0000, Undistributed. It may be used with goals 1000–6999 if only one goal is served at the school (e.g., if the school only provides Special Education or ROC/P services). It may also be used with goals 7110–7150, Nonagency, Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

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3000–3999 PUPIL SERVICES

3110

Guidance and Counseling Services. Activities involving counseling with students and parents; consulting with other staff members on learning problems; evaluating the abilities of students; assisting students as they make their own educational and career plans and choices; assisting students in personal and social development; providing referral assistance; and working with other staff members in planning and conducting guidance programs for students.

Function 3110 includes information services, appraisal services, placement services, counseling services, and record maintenance services, as follows:

Information Services. Activities for disseminating educational, occupational, personal, and social information to help acquaint students with the curriculum and with educational and vocational opportunities and requirements. Such information may be provided directly to students through activities such as group or individual guidance, or it may be provided indirectly to students through staff members or parents.

Appraisal Services. Activities that assess student characteristics. They are used in administration, instruction, and guidance to assist the student in assessing his or her purposes and progress in career and personality development.

Placement Services. Activities that help place students in appropriate situations while they are in school. These could be educational situations, part-time employment while they are in school, and appropriate educational and occupational situations after they leave school. These activities also help ease the student's transition from one educational experience to another. The transition may require, for example, admissions counseling, referral services, assistance with records, and follow-up communications with employers.

Counseling Services. Activities concerned with the relationship between one or more counselors and one or more students or between counselors and other staff members. These activities are intended to help students understand their educational, personal, and occupational strengths and limitations; relate their abilities, emotions, and aptitudes to educational and career opportunities; utilize their abilities in formulating realistic plans; and achieve satisfying personal and social development.

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Record Maintenance Services. Activities for compiling, maintaining, and interpreting cumulative records of individual students, including systematic consideration of such factors as:

- Home and family background
- Physical and medical status
- Standardized test results
- Personal and social development
- School performance

Function 3110 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

The following counseling services in this function should be coded to goals 5000–5999, Special Education:

Behavior Management Services. Services provided pursuant to an IEP to teachers, parents, or students by a professional counselor to promote lasting, positive changes in the student's behavior. These services result in the student gaining greater access to a variety of community settings, social contacts, public events, and placement in the least restrictive environment (*Title 5, California Code of Regulations, Section 3001[d]*).

Individual Counseling. One-on-one counseling pursuant to an IEP. Counseling may focus on educational, career, or personal aspects. It may include parents or staff members. Used with the special education goal, this service is expected to supplement the regular guidance and counseling program.

Group Counseling. Counseling in a group setting pursuant to an IEP. Typically, group counseling centers on social skills development, but it may also focus on educational, career, or personal aspects. It may be conducted with parents or staff. Used with the special education goal, this service is expected to supplement the regular guidance and counseling program.

Guidance Services. Interpersonal, intrapersonal, or family interventions pursuant to an IEP. Specific programs include social skills development, self-esteem building, parent training, and assistance to special education students. These services are expected to supplement the regular guidance and counseling program.

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Parent Counseling. Individual or group counseling pursuant to an IEP to assist parents of special education students in better understanding and meeting their children's needs. Many counseling sessions include parenting skills or other pertinent issues. IEP-required parent counseling is expected to supplement the regular guidance and counseling program.

3120

Psychological Services. Activities concerned with administering psychological tests and interpreting the results; gathering and interpreting information about student behavior; working with other staff members in planning school programs to meet the special needs of students as indicated by psychological tests and behavioral evaluations; and planning and managing a program of psychological services, including psychological counseling for students, staff, and parents.

Function 3120 services include the following:

Psychological Testing Services. Activities concerned with administering psychological tests, standardized tests, and inventory assessments. These tests measure ability, aptitude, achievement, interests, and personality. Activities also include the interpretation of these tests for students, school personnel, and parents.

Psychological Counseling Services. Activities that take place between a school psychologist or other qualified person, a counselor, and one or more students in which the students are helped to perceive, clarify, and solve problems of adjustment and interpersonal relationships.

Psychotherapy Services. Activities that provide a therapeutic relationship between a qualified mental health professional and one or more students in which the students are helped to perceive, clarify, and solve emotional problems.

Function 3120 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

Psychologist services for assessment testing for students with an individualized education program (IEP) are coded to goals 5000–5999.

3130

Attendance and Social Work Services. Activities designed to improve student attendance at school and prevent or solve student problems involving the home,

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the school, and the community. Attendance services consist of such activities as early identification of patterns of absence, promotion of pupils' and parents' positive attitudes toward attendance, analysis of causes of absences, and enforcement of compulsory attendance laws. The time spent on attendance recording and reporting on a school-level or districtwide basis is charged to the school or general administration function.

Social work services consist of such professional services as diagnosing the problems of pupils arising out of the home, school, or community; undertaking casework services for the child or parent or both; interpreting the pupils' problems for other staff members; and promoting modification of the circumstances surrounding the individual pupil that is related to his or her problem insofar as the resources of family, school, and community can be brought to bear on the problem.

Function 3130 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

3140

Health Services. Physical and mental health services that are not direct instruction. Included are activities that provide students with appropriate medical, dental, and nursing services, as follows:

Medical Services. Activities concerned with the physical and mental health of students, such as health appraisal, including screening for vision, communicable diseases, and hearing deficiencies; screening for psychiatric services; periodic health examinations; emergency injury and illness care; and communications with parents and medical personnel.

Dental Services. Activities associated with dental screening, dental care, and orthodontic activities.

Nursing Services. Activities associated with nursing, such as health inspection, treatment of minor injuries, and referrals for other health services.

Function 3140 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

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Goals 5000–5999, Special Education, may include the following services in this function:

Assessment Testing. Individual health assessment done by a credentialed school nurse or physician for students who have or may be determined to need individualized education programs (*Education Code* Section 56324).

Physical Therapy. Services provided pursuant to an IEP by a registered physical therapist or physical therapist assistant when assessment shows a discrepancy between gross motor performance and other educational skills.

Occupational Therapy. Services provided to improve a student's postural stability, sensory processing and organization, environmental adaptation, motor planning and coordination, visual perception, and integration and fine motor abilities.

Vision Services. The assessment of functional vision and therapy to correct visual impairments.

Health and Nursing. Specialized physical health care services provided pursuant to an IEP, such as catheterization, nebulizer treatments, blood glucose monitoring, administration of oxygen, and any other specialized services that may be provided by a trained staff member and do not require the supervision of a physician. Other services provided pursuant to an IEP when a student has health problems that require nursing intervention beyond basic school health services include managing the health problem, consulting with staff, providing group and individual counseling, making appropriate referrals, and maintaining communication with agencies and health care providers.

3150

Speech Pathology and Audiology Services. Activities that identify, assess, and treat children with speech, hearing, and language impairments. Speech pathology services consist of activities that identify children with speech and language disorders; diagnose and assess specific speech and language disorders; refer problems for medical or other professional attention necessary to treat speech and language disorders; provide required speech treatment services; and counsel and guide children, parents, and teachers, as appropriate.

Audiology services consist of activities that identify children with hearing loss; determine the range, nature, and degree of hearing function; refer problems for medical or other professional attention appropriate to treat impaired hearing; treat language impairment; involve auditory training, speech reading (lip-reading), and speech conversation; create and administer programs of hearing conversation; and counsel and guide children, parents, and teachers, as appropriate.

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Audiological services for special education students include measurements of acuity or consultation with speech pathologists. Classroom instruction by a certificated teacher in how to speak, read, or interpret verbal signals is more properly coded to Function 1190, Special Education: Other Specialized Instructional Services.

Function 3150 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

Goals 5000–5999, Special Education, may include language and speech services to provide remedial intervention for individuals with difficulty understanding or using spoken language. Services include referral and assessment, monitoring, reviewing, and consultation.

3160

Pupil Testing Services. Cost of staff or consultants assigned to coordinate the standardized testing of students in academic contents. The cost of classroom teachers administering tests to their students during the instructional day remains a part of the instructional function.

Function 3160 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

3600

Pupil Transportation. Activities concerned with conveying students to and from school. Transportation other than from home to school is referred to as "Other Miles," which includes field trips and transportation between school sites. Costs of "Other Miles" are instructional costs to the user program or project.

Costs in the Pupil Transportation function include:

- Transportation supervisors, directors, bus drivers, clerks, and bus maintenance personnel
- Fuel, oil, tires, and parts for buses
- Contracted repair of buses
- Bus driver training and certification
- Contracts with individuals, other districts, and firms for transporting pupils

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- Rental of buses
- Acquisition and replacement of equipment used for transporting pupils, including buses

Costs in this function exclude:

- Field trips
- Student organization trips
- Summer school miles
- Financing costs (e.g., principal and interest for acquisition of buses)
- Principal and interest on school bus loans/capital leases
- Vehicles other than those used for student transportation

Costs for transportation other than home to school ("Other Miles") that are first accumulated in Function 3600 are to be transferred to other functions and/or resources using Object 5710, Transfers of Direct Costs. (See various examples in Procedure 640.) The documented method shall be used to distribute these costs. Documentation methods could include actual costs from the bus contractor or a fixed rate per mile plus the paid driver's layover time. All charges for pupil transportation services to organizations outside the district (parent-teacher associations, recreation districts, and so on) shall be made to the appropriate ancillary or community service function.

Costs for home-to-school transportation accumulated in Function 3600 may be charged to goals 1000–7000 as documented direct support costs. All other home-to-school transportation costs are charged to Goal 0000, Undistributed, and distributed to user programs (goals) using the Pupils Transported allocation factors. (Refer to Procedure 910 for additional information regarding documenting and allocating costs.)

Costs of providing specialized transportation services (e.g., buses with wheelchair lifts, aides who accompany children on the bus) specified in IEPs of special education pupils who are severely disabled or orthopedically impaired are reported in Goal 5750, Special Education, Ages 5–22 Severely Disabled. These costs are normally reported in Resource 7240, Transportation: Special Education (SD/OI), if the LEA receives a state transportation apportionment. If these costs are initially accumulated in Resource 7230, Transportation: Home to School, they are to be transferred to Resource 7240, Goal 5750, using Object 5710, Transfers of Direct Costs.

Costs of providing transportation services specified in IEPs of special education students who are not severely disabled or orthopedically impaired are reported in special education goals other than 5750. These costs are normally reported in

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	Resource 7230, Transportation: Home to School, if the LEA receives a state transportation apportionment.
3700	<p>Food Services. Activities concerned with providing food to students and staff in a school or LEA. This service area includes preparing and serving regular and incidental meals, lunches, or snacks in connection with school activities and food delivery.</p> <p>Costs in this function include those for:</p> <ul style="list-style-type: none">• Food service supervisors, managers, directors, and related staff, such as bookkeepers and clerks• Cooks and helpers• Food purchases• Nonfood purchases (e.g., plates, silverware, napkins) essential to providing food services to students• Commodities• Food services laundry• Purchase of vehicles and other transportation costs, including insurance for those vehicles, for the purpose of transporting food from central locations to satellite locations• Acquisition and replacement of related equipment• Repair and maintenance of equipment used in this function• Snacks for kindergarten classes• Food purchased for lunches not reimbursed through the School Lunch Program <p>Costs in this function exclude food purchases for meetings or workshops or to instruct students on food preparation. Function 6000, Enterprise, is used for a catering service. (See the examples in Procedure 635.)</p> <p>Function 3700 is generally used with Goal 0000, Undistributed.</p>
3900	<p>Other Pupil Services. Other support services to students not classified elsewhere in the 3000 functions.</p> <p>Function 3900 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.</p>

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4000–4999	ANCILLARY SERVICES
4000	<p>Ancillary Services. School-sponsored activities during or after the school day that are not essential to the delivery of services in the functions 1000, 2000, and 3000 series. These activities are generally designed to provide students with experiences such as motivation and enjoyment and improvement of skills in either a competitive or noncompetitive setting.</p> <p>Generally used with goals 0001–6999.</p>
4100	<p><i>School-Sponsored Co-curricular (Optional). School-sponsored activities, under the guidance and supervision of LEA staff, designed to provide students such experiences as motivation, enjoyment, and improvement of skills. Co-curricular activities normally supplement the regular instructional program and include such activities as band, chorus, choir, speech, and debate. Also included are student-financed and student-managed activities, such as Class of 20XX, Chess Club, Senior Prom, and Future Farmers of America. Athletics is coded to Function 4200.</i></p>
4200	<p><i>School-Sponsored Athletics (Optional). School-sponsored activities, under the guidance and supervision of LEA staff members who provide opportunities for students to pursue various aspects of physical education. Athletics normally involves competition between schools and frequently involves offsetting gate receipts or fees.</i></p>
4900	<p><i>Other Ancillary Services (Optional). Activities that provide students with learning experiences not included in the other Function 4000, Ancillary Services, accounts.</i></p>
5000–5999	COMMUNITY SERVICES
5000	<p>Community Services. Activities concerned with providing community services to community participants other than students. These include activities authorized by the Community Recreation Act (<i>Education Code</i> Section 10900 et seq.) and by the Civic Center Act (<i>Education Code</i> Section 38130 et seq.). Examples of this function would be the operation of a community swimming pool, a recreation program for the elderly, or a community child care center for working parents. This function is also used for scholarship payments.</p> <p>Costs in this function include paid overtime or extra time for custodial services performed entirely as a result of community services activities. Used with Goal 8100, Community Service, and Goal 8500, Child Care and Development Services.</p>

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<u>Code</u>	<u>Title</u>
5100	<i>Community Recreation (Optional). Activities concerned with providing recreation for the community as a whole or for some segment of the community. Included are such staff activities as organizing recreation programs for all citizens of the community at city parks, swimming pools, or school playgrounds.</i>
5400	<i>Civic Services (Optional). Activities concerned with providing services to civic affairs or organizations. This function includes services to parent-teacher association meetings, public forums, lectures, and civil defense planning.</i>
5900	<i>Other Community Services (Optional). Community services activities that cannot be classified under the preceding areas of responsibility. "Other" may include public library services and welfare activities.</i>
6000–6999	ENTERPRISE
6000	Enterprise. Activities that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs are financed or recovered primarily through user charges. Food services that are part of child nutrition programs should not be charged here, even if the food service program is reported in an enterprise fund, but rather to Function 3700 because costs are financed in large part through federal and state revenues. This function is used when an LEA is selling goods or services to outside organizations. Function 6000 should be used with activities of Fund 67, Self-Insurance Fund, and Fund 71, Retiree Benefit Fund. It is generally used with Goal 0000, Undistributed.
7000–7999	GENERAL ADMINISTRATION
	General administration refers to agencywide administrative activities that are accounted for in the general fund. General administration functions are normally used with Resource 0000, Unrestricted, and Goal 0000, Undistributed. For information on resource-specific administrative costs, see Function 2100, Instructional Supervision and Administration.
7100	Board and Superintendent. Activities concerned with establishing and administering policy for operating the LEA. Generally, this function is used with Goal 0000, Undistributed.

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Pursuant to guidance in Procedure 905, small school districts and charter schools that have one person performing the functions of both the principal and the superintendent may charge the costs as follows:

- 70 percent to School Administration (Function 2700)
- 30 percent to Board and Superintendent (Function 7100)

7110

Board (Optional). *Activities of the elected body that has been created according to state law and vested with responsibilities for educational activities in a given administrative unit.*

Costs in this function include:

- *Activities of the members of the Board of Education*
- *Activities of the district performed in support of school district meetings*
- *Legal activities in interpretation of the laws and statutes and general liability situations. Note: Legal costs identifiable with a specific activity generally may be charged to that activity (e.g., Function 2100, Instructional Supervision and Administration; Function 7300, Fiscal Services; Function 7400, Personnel/Human Resources Services; Function 8500, Facilities Acquisitions and Construction).*
- *Services rendered in connection with any school system election, including elections of officers and bond elections*

7120

Staff Relations and Negotiations (Optional). *Incremental costs of activities, not including those of the board or superintendent or their immediate staff, concerned with staff relations systemwide and the responsibilities for contractual negotiations with both instructional and noninstructional personnel. Costs in this function are included in the LEA's indirect cost pool (see "Indirect Cost Rate Work Sheet," page 915-11).*

7150

Superintendent (Optional). *Activities associated with the overall general administration of or executive responsibility for the entire LEA.*

Costs in this function include:

- *Activities performed by the superintendent and such assistants as deputy, associate, and assistant superintendents in generally directing and managing all affairs of the LEA, unless the activities of such assistants can be placed properly into an instructional or pupil service area, in which case they would be charged to that service area*

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	<ul style="list-style-type: none">• <i>Personnel and materials in the office of the chief executive officer</i>• <i>Activities associated with community/public relations</i>• <i>Activities associated with developing and maintaining good relationships with state and federal officials</i>• <i>Activities associated with grant procurement</i>
7180	Public Information (Optional). <i>Writing, editing, and other activities necessary for the preparation and dissemination of educational and administrative information to the public through various news media or personal contact.</i>
7190	External Financial Audit—Single Audit. Annual independent financial audits conducted pursuant to both <i>Education Code</i> Section 14503 and the Single Audit Act as required for LEAs that expend more than \$500,000 in federal funds. Costs in this function are included in the LEA's indirect cost pool (refer to "Indirect Cost Rate Work Sheet," page 915-11).
7191	External Financial Audit—Other. Annual independent financial audits conducted pursuant to <i>Education Code</i> Section 14503, where the LEA expends less than \$500,000 in federal funds and a single audit is not required.
7200	Other General Administration. Activities other than Board and Superintendent (functions 71xx) which manage the LEA as an overall entity. Other General Administration activities include fiscal services, personnel services, and central support services. Include attendance recording and reporting activities performed at the LEA level. Attendance activities performed at the school level should be charged to Function 2700, School Administration.

Certain insurance should be charged to a specific function, such as Function 1000, Instruction, for pupil insurance and driver training vehicle insurance; Function 3600, Pupil Transportation, for insurance on buses; and Function 3700, Food Services, for insurance on food service vehicles. All other costs of property or general liability insurance not charged to a specific function should be charged to Function 7200, Other General Administration; or optionally to Function 7600, All Other General Administration.

Pursuant to guidance in Procedure 905:

The costs of assistant superintendents for instruction or equivalent positions having first-line responsibility for instructional administration and for participation in district/county policy may be charged as follows:

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- 50 percent to Instructional Supervision and Administration (Function 2100)
- 50 percent to Other General Administration (Function 7200)

Small school districts and charter schools with staff performing support duties for both school administration and business office administration may charge the costs as follows:

- 70 percent to School Administration (Function 2700)
- 30 percent to Other General Administration (Function 7200)

Agencywide administrative costs are not directly expended in any fund other than the general fund. Because of the agencywide nature of the costs, with few exceptions, Function 7200 and its optional subfunctions 7300–7600 are used with unrestricted resources (0000–1999). They are normally used with Goal 0000, Undistributed; Goals 7100–7199, Nonagency; or Goal 8600, County Services to Districts.

7210

Indirect Cost Transfers. Use in combination with Object 7310, Transfers of Indirect Costs, and Object 7350, Transfers of Indirect Costs—Interfund, to record indirect cost transfers.

Use this function to record both the debit and credit for these transfers. For transfers within a fund, this function must balance to zero at the fund level. For interfund transfers, the function will have a balance at the fund level but must balance to zero across all funds.

7300

Fiscal Services (Optional). Activities concerned with the fiscal operations of the LEA. This function includes budgeting, receiving and disbursing, financial and property accounting, payroll, inventory control, internal auditing, and managing funds. Include legal costs directly identifiable with fiscal services activities.

7310

Budgeting (Optional). Activities concerned with supervising budget planning, formulation, control, and analysis.

7320

Accounts Receivable (Optional). Activities concerned with receiving money. They include the current audit of receipts.

7330

Accounts Payable (Optional). Activities concerned with paying out money. They include the preaudit of requisitions or purchase orders to determine whether the amounts are within the budgetary allowances and to determine whether such disbursements are lawful expenditures of the LEA.

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7340	<i>Payroll (Optional). Activities concerned with periodically paying individuals entitled to remuneration for services rendered.</i>
7350	<i>Financial Accounting (Optional). Activities concerned with maintaining records of the financial operations and transactions of the school system. They include such activities as accounting and interpreting financial transactions and account records.</i>
7360	<i>Project-Specific Accounting (Optional). Activities concerned with maintaining the records of financial operations and transactions of specific projects. Examples might include business office staff assigned to construction cost accounting or preparation of analyses or reports for specific project areas or activities. For resource-specific project activities, see Function 2100, Instructional Supervision and Administration, and optional Function 2150, Instructional Administration of Special Projects.</i>
7370	<i>Internal Auditing (Optional). Activities concerned with verifying the account records, which include evaluating the adequacy of the internal control system, verifying and safeguarding assets, reviewing the reliability of the accounting and reporting systems, and ascertaining compliance with established policies and procedures.</i>
7380	<i>Property Accounting (Optional). Activities concerned with preparing and maintaining current inventory records of land, buildings, and equipment. These records are used in equipment control and facilities planning.</i>
7390	<i>Other Fiscal Services (Optional). Fiscal services that cannot be classified under the preceding functions.</i>
7400	<i>Personnel/Human Resources Services (Optional). Activities concerned with maintaining an efficient staff for the school system. It includes such activities as recruitment and placement, staff transfers, health services, and staff accounting. Include legal costs directly identifiable with personnel/human resources services activities.</i>
7410	<i>Staff Development (Optional). Activities concerned with developing districtwide training programs for noninstructional personnel in all classifications.</i>
7430	<i>Credentials (Optional). Activities related to credential services.</i>

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7490	<i>Other Personnel/Human Resources Services (Optional).</i> Personnel services that cannot be classified under the preceding functions.
7500	<i>Central Support (Optional).</i> Activities other than general administration that support the instructional and supporting services programs. These activities include planning, research, development, evaluations, purchasing, distribution, and warehousing services for the LEA.
7510	<i>Planning, Research, Development, and Evaluation (Optional).</i> Activities associated with conducting and managing programs of planning, research, development, and evaluation for a school system on a systemwide basis, including costs of facility planning and administration not directly identifiable with a capital project. <i>Planning Services</i> include activities concerned with selecting or identifying the overall, long-range goals and priorities of the organization. They also involve formulating various courses of action needed to achieve these goals. This is done by identifying needs and relative costs and benefits of each course of action. <i>Research Services</i> include activities concerned with the systematic study and investigation of the various aspects of education and undertaken to establish facts and principles. <i>Development Services</i> include activities in the deliberate, evolving process of improving educational programs, such as activities using the products of research. <i>Evaluation Services</i> include activities concerned with ascertaining or judging the value or amount of an action or an outcome. Evaluation is done through a careful appraisal of previously specified data in light of the particular situation and goals previously established.
7530	<i>Purchasing (Optional).</i> Activities concerned with purchasing supplies, furniture, equipment, and materials used in schools or school system operations.
7540	<i>Warehousing and Distribution (Optional).</i> Activities of receiving, storing, and distributing supplies, furniture, equipment, materials, and mail.
7550	<i>Printing, Publishing, and Duplicating (Optional).</i> Activities of printing and publishing administrative publications, such as annual reports, school directories, and manuals. Activities here also include centralized services

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for duplicating school materials and instruments, such as school bulletins, newsletters, and notices. Those costs of centralized duplicating and reproduction services that benefit specific programs may be accumulated here but should be transferred to those programs as direct costs using Object 5710, Transfers of Direct Costs, or Object 5750, Transfers of Direct Costs—Interfund.

7600

***All Other General Administration (Optional).** All other general administrative services not classified elsewhere in functions 7300–7500.*

7700

Centralized Data Processing. Agencywide data processing services, whether in-house or contracted. Examples of this function are costs for computer facility management, computer processing, systems development, analysis and design, and interfacing associated with general types of technical assistance to data users. Specific types of applications include attendance accounting, grade reporting, financial accounting, and human resources/personnel. Costs associated with mainframe computers, minicomputers, and networked or stand-alone microcomputers that provide services to multiple functions are recorded here.

Costs in this function include:

- Salaries and other expenditures (including hardware/software maintenance) for PC networks that include student and general administrative software and serve multiple functions. If these costs can be directly identified as instructional or support, they should be charged to the appropriate function. See "Categories of Costs," page 910-2, for information on instructional and support costs.
- Network managers for noninstructional computer networks.
- Salaries and other expenditures (including hardware/software maintenance) for minicomputers that include student and general administrative software and serve multiple functions.
- Salaries and other expenditures (including hardware/software maintenance) for mainframe computers that include student and general administrative software and serve multiple functions.
- Management Information Systems (MIS) directors

Data processing costs that support instructional programs (e.g., computers in the classroom, instructional computer labs, instructional networks, library computers) should be charged to Function 2420, Instructional Library, Media, and Technology, or Function 1000, Instruction. If data processing costs are accumulated in Function 7700 (for example, because one data processing person provides technology services for all functions), any instruction-related costs must be reclassified using Object 5710, Transfers of Direct Costs, to Function 2420 or

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1000, as appropriate. Methods of determining the amount of instruction-related costs to transfer include work orders or a count of workstations.

Costs in this function exclude:

- Stand-alone or networked computers used by a specific functional area
- Peripherals, including terminals and printers, used by a specific functional area
- Instructional computer networks
- Instructional technology coordinators

Function 7700 is generally used with Goal 0000, Undistributed.

8000–8999 PLANT SERVICES. Activities concerned with keeping the physical plant open, comfortable, and safe for use and keeping the grounds, buildings, and equipment in working condition and a satisfactory state of repair. These include the activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools.

8100 Plant Maintenance and Operations. This function is used for expenditures related to activities to keep the physical plant and grounds open, clean, comfortable, and in working condition and a satisfactory state of repair. This function is used to record expenditures for the maintenance and operation of the physical plant and grounds.

Do not use Function 8100 for a capital project that extends the life and the value of a capital asset. (See Function 8500, Facilities Acquisition and Construction.)

Function 8100 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific goal, it may be used with that goal. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

8110 *Maintenance (Optional).* *Activities involved with repairing, restoring, or renovating school property, including grounds, buildings, site improvements, building fixtures, and service systems.*

Direct charges to the maintenance function may include contracts for repairing, restoring, or renovating the grounds, buildings, or equipment, including regrading sites and repairing retaining walls, walks, driveways, sprinkler systems, and playground apparatus or equipment; reseeding of lawns; repainting; repairs to or replacement of roofs, walls, heating and air-conditioning units, and electrical and plumbing installations; repairs to

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	<p><i>built-in fixtures; resurfacing and refinishing of floors; movement of movable walls or partitions; and acquisition and replacement of related equipment.</i></p> <p><i>Use for building repairs and renovations that do not meet the LEA's capitalization threshold.</i></p>
8200	<p>Operations (Optional). <i>Activities concerned with keeping the physical plant clean and ready for daily use. Included activities are cleaning and disinfecting; heating, lighting and ventilation; maintenance of power; moving of furniture; caring for grounds; garbage and trash disposal; laundry and dry cleaning service, including the rental of towels; rental of equipment, such as floor polishers; softwater service; and such other housekeeping activities as are repeated on a daily, weekly, monthly, or seasonal basis.</i></p> <p><i>Direct charges to the operations function may include salaries of directors and supervisors of operations, custodians, guards, gardeners, telephone switchboard operators, truck drivers, operational clerks, and similar employee(s); employee benefits for all employees in this program; supplies, including brooms, brushes, disinfectants, fuses, garbage cans, light bulbs and fluorescent tubes, mops, wax, soap, toilet paper, towels, outdoor flags, weed killers, and fertilizers; office supplies; repair and maintenance of equipment used in this program; acquisition and replacement of related equipment; and nonuse fees assessed by the state for unused school sites (Education Code Section 17219).</i></p>
8300	<p>Security (Optional). <i>Activities concerned with maintaining order and safety in school buildings, on the school grounds, and in the vicinity of schools at all times. Included are police activities for school functions, traffic control on grounds and in the vicinity of schools, building alarm systems, and hall monitoring services.</i></p>
8400	<p>Other Plant Maintenance and Operations (Optional). <i>Operations and maintenance of plant services that cannot be classified elsewhere in functions 8100–8399.</i></p>
8500	<p>Facilities Acquisition and Construction. <i>Activities concerned with capital projects, such as acquiring land and buildings, remodeling buildings, constructing buildings and additions to buildings, initially installing or extending service systems and other built-in equipment, and improving sites. Capitalize projects that extend the life and value of a site, building, or major equipment and that exceed the LEA's capitalization threshold. Documented time of a project manager to a</i></p>

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capital project may be capitalized. Include legal costs directly identifiable with a capital project.

Facility costs that are not clearly identifiable to a capital project should not be charged to Function 8500. Facility planning or administration should be charged to Function 7200, Other General Administration, or to optional Function 7510, Planning, Research, Development, and Evaluation. Facility improvements that do not significantly extend the life or increase the value of a site or building or that do not meet the LEA's threshold for capitalization should be charged to Function 8100, Plant Maintenance and Operations.

Most commonly used with Objects 6100–6300 but may also be used with Object 6400 and with most objects in the 1000–5999 range.

Refer to Procedure 770, "Distinguishing Between Supplies and Equipment," for additional information on capitalization concepts.

8700

Facilities Rents and Leases. Activities concerned with acquiring facilities through operating leases or rentals without the option to purchase. This function does not include capital lease payments. Capital lease payments are debt service and are charged to all other outgo.

Generally, costs of leased or rented facilities are considered agencywide costs of doing business and are shared equitably by all programs. Costs may be charged to a specific program only if renting or leasing a facility is required by state or federal agencies for programmatic purposes, such as on a site where no agency-owned facilities are located. Supporting documentation of the requirement is necessary.

As an example, a county office leases a classroom from a school district to house a special education class. The action is necessary for programmatic purposes because the special education class is required by the state to be conducted at a regular school site for mainstreaming purposes. The county office owns no regular education schools where the class could be located. The lease payments would be charged as documented direct support costs to a special education goal.

Alternatively, a school district leases ROP classroom space in a facility that is near the shopping center where most ROP students are being trained. However, because housing the ROP classes rather than other program classes in the rented facility was a district administrative decision and not a state or federal requirement, the cost of the lease payments would be charged to the Goal 0000, Undistributed, and subsequently distributed to all district programs as allocated support costs.

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The temporary rental of a facility incidental to a particular activity, such as hourly or daily rental of a hall for a staff development workshop or rental of an auditorium for a school graduation, should be charged to the same function as the benefiting activity.

9000–9999 OTHER OUTGO

Used with Goal 0000, Undistributed.

- 9100 **Debt Service.** Servicing the debt of the LEA, including issuance costs and payments of both principal and interest. Normally, only long-term debt service (obligations exceeding one year) is recorded here. It should also be used to record that portion of direct costs for issuing tax and revenue anticipation notes (TRANS), bonds, or certificates of participation (COPs), including interest expense, which is equal to or less than investment earnings on the proceeds. If costs exceed investment earnings, the excess costs are to be charged to Function 7200, Other General Administration. If long-term debt is issued at a discount, the discount should be recorded in this function with Object 7699, All Other Financing Uses.
- 9200 **Transfers Between Agencies.** These include outgoing tuitions and transfers of apportionments and resources. Transfers may be to other LEAs and to all other agencies.
- 9300 **Interfund Transfers.** Financial outflows to other funds of the LEA that are not classified as quasi-external transactions, reimbursements, loans, or advances.

Procedure 325 Function (Activity) Classification

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The object field classifies expenditures according to the types of items purchased or services obtained. It classifies revenues by the general source and type of revenue. It also classifies balance sheet accounts as assets, liabilities, or fund balance.

How the Object Field Is Used

The object field applies to expenditures, revenues, and balance sheet accounts.

Flexibility of the Object Field

LEAs are required to code their transactions to at least the minimum object level required by CDE. However, LEAs may also use more detailed CDE-defined optional object codes (indicated by italics in the object code listing) or create their own locally defined object codes. Required and optional codes are reported to CDE; locally defined codes must be rolled up by the LEA when reporting data to CDE. For further information, see "Optional and Locally Defined Codes" and "Reporting Data to the State," beginning on page 301-4.

The fourth digit of objects 3000–3999 has been restricted by CDE to a specific definition. The third digit is available for LEA use if it is rolled up to zero when submitted to CDE. For example:

- 3401 Health and Welfare Benefits, certificated positions
- 3411 Health and Welfare Benefits, certificated positions,
 instructional
- 3421 Health and Welfare Benefits, certificated positions,
 administrative

In this example, the LEA has used locally defined objects using the third digit. These must be rolled up to Object 3401, Health and Welfare Benefits, certificated positions, when data are reported to CDE.

Procedure 330 Object Classification

List of Object Codes

(Italicized codes are optional; if used, they must be reported to CDE.)

<u>Code</u>	<u>Title</u>
1000–7999	EXPENDITURES AND OTHER FINANCING USES
1000-7499	Expenditures
1000–1999	Certificated Personnel Salaries
1100	Certificated Teachers' Salaries
1200	Certificated Pupil Support Salaries
1300	Certificated Supervisors' and Administrators' Salaries
1900	Other Certificated Salaries
2000–2999	Classified Personnel Salaries
2100	Classified Instructional Salaries
2200	Classified Support Salaries
2300	Classified Supervisors' and Administrators' Salaries
2400	Clerical, Technical, and Office Staff Salaries
2900	Other Classified Salaries
3000–3999	Employee Benefits
3101	State Teachers' Retirement System, certificated positions
3102	State Teachers' Retirement System, classified positions
3201	Public Employees' Retirement System, certificated positions
3202	Public Employees' Retirement System, classified positions
3301	OASDI/Medicare/Alternative, certificated positions
3302	OASDI/Medicare/Alternative, classified positions
3401	Health and Welfare Benefits, certificated positions
3402	Health and Welfare Benefits, classified positions
3501	State Unemployment Insurance, certificated positions
3502	State Unemployment Insurance, classified positions
3601	Workers' Compensation Insurance, certificated positions
3602	Workers' Compensation Insurance, classified positions
3701	OPEB, Allocated, certificated positions
3702	OPEB, Allocated, classified positions
3751	OPEB, Active Employees, certificated positions
3752	OPEB, Active Employees, classified positions
3801	PERS Reduction, certificated positions
3802	PERS Reduction, classified positions
3901	Other Benefits, certificated positions
3902	Other Benefits, classified positions

Procedure 330 Object Classification

<u>Code</u>	<u>Title</u>
4000–4999	Books and Supplies
4100	Approved Textbooks and Core Curricula Materials
4200	Books and Other Reference Materials
4300	Materials and Supplies
4400	Noncapitalized Equipment
4700	Food
5000–5999	Services and Other Operating Expenditures
5100	Subagreements for Services
5200	Travel and Conferences
5300	Dues and Memberships
5400	Insurance
5440	<i>Pupil Insurance</i>
5450	<i>Other Insurance</i>
5500	Operations and Housekeeping Services
5600	Rentals, Leases, Repairs, and Noncapitalized Improvements
5700–5799	Transfers of Direct Costs
5710	Transfers of Direct Costs
5750	Transfers of Direct Costs—Interfund
5800	Professional/Consulting Services and Operating Expenditures
5900	Communications
6000–6999	Capital Outlay
6100	Land
6170	Land Improvements
6200	Buildings and Improvements of Buildings
6300	Books and Media for New School Libraries or Major Expansion of School Libraries
6400	Equipment
6500	Equipment Replacement
6900	Depreciation Expense (for proprietary and fiduciary funds only)
7000–7499	Other Outgo
7100–7199	Tuition
7110	Tuition for Instruction Under Interdistrict Attendance Agreements
7130	State Special Schools
7141	Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools
7142	Other Tuition, Excess Costs, and/or Deficit Payments to County Offices
7143	Other Tuition, Excess Costs, and/or Deficit Payments to JPAs

Procedure 330 Object Classification

<u>Code</u>	<u>Title</u>
7200–7299	Interagency Transfers Out
7211	Transfers of Pass-Through Revenues to Districts or Charter Schools
7212	Transfers of Pass-Through Revenues to County Offices
7213	Transfers of Pass-Through Revenues to JPAs
7221	Transfers of Apportionments to Districts or Charter Schools
7222	Transfers of Apportionments to County Offices
7223	Transfers of Apportionments to JPAs
7280	Transfers to Charter Schools in Lieu of Property Taxes (Obsolete as of 2007-08)
7281	All Other Transfers to Districts or Charter Schools
7282	All Other Transfers to County Offices
7283	All Other Transfers to JPAs
7299	All Other Transfers Out to All Others
7300–7399	Transfers of Indirect Costs (Effective 2008-09)
7310	Transfers of Indirect Costs
7350	Transfers of Indirect Costs—Interfund
7370	Transfers of Direct Support Costs (Valid through 2007-08)
7380	Transfers of Direct Support Costs—Interfund (Valid through 2007-08)
7430–7439	Debt Service
7432	State School Building Repayments
7433	Bond Redemptions
7434	Bond Interest and Other Service Charges
7435	Repayment of State School Building Fund Aid—Proceeds from Bonds
7436	Payments to Original District for Acquisition of Property
7438	Debt Service—Interest
7439	Other Debt Service—Principal
7600–7699	Other Financing Uses
7600–7629	Interfund Transfers Out
7611	From General Fund to Child Development Fund
7612	Between General Fund and Special Reserve Fund
7613	To State School Building Fund/County School Facilities Fund from All Other Funds of the District
7614	From Bond Interest and Redemption Fund to General Fund
7615	From General, Special Reserve, and Building Funds to Deferred Maintenance Fund
7616	From General Fund to Cafeteria Fund
7619	Other Authorized Interfund Transfers Out
7630–7699	All Other Financing Uses
7651	Transfers of Funds from Lapsed/Reorganized LEAs
7699	All Other Financing Uses

Procedure 330 Object Classification

<u>Code</u>	<u>Title</u>
8000–8999	REVENUES AND OTHER FINANCING SOURCES
8000-8799	Revenues
8010–8099	Revenue Limit Sources
8010–8019	Principal Apportionment
8011	Revenue Limit State Aid—Current Year
8015	Charter Schools General Purpose Entitlement—State Aid
8019	Revenue Limit State Aid—Prior Years
8020–8039	Tax Relief Subventions
8021	Homeowners' Exemptions
8022	Timber Yield Tax
8029	Other Subventions/In-Lieu Taxes
8040–8079	County and District Taxes
8041	Secured Roll Taxes
8042	Unsecured Roll Taxes
8043	Prior Years' Taxes
8044	Supplemental Taxes
8045	Education Revenue Augmentation Fund (ERAF)
8047	Community Redevelopment Funds
8048	Penalties and Interest from Delinquent Taxes
8070	Receipts from County Board of Supervisors
8080–8089	Miscellaneous Funds
8081	Royalties and Bonuses
8082	Other In-Lieu Taxes
8089	Less: Non-Revenue Limit (50 Percent) Adjustment
8090–8099	Revenue Limit Transfers
8091	Revenue Limit Transfers—Current Year
8092	PERS Reduction Transfer
8096	Transfers to Charter Schools in Lieu of Property Taxes (Effective 2007-08)
8097	Property Taxes Transfers
8099	Revenue Limit Transfers—Prior Years
8100–8299	Federal Revenue
8110	Maintenance and Operations (Public Law 81-874)
8181	Special Education—Entitlement
8182	Special Education—Discretionary Grants
8220	Child Nutrition Programs
8260	Forest Reserve Funds
8270	Flood Control Funds
8280	U.S. Wildlife Reserve Funds
8281	FEMA
8285	Interagency Contracts Between LEAs
8287	Pass-Through Revenues from Federal Sources

Procedure 330 Object Classification

<u>Code</u>	<u>Title</u>
8290	All Other Federal Revenue
8300–8599	Other State Revenue
8311	Other State Apportionments—Current Year
8319	Other State Apportionments—Prior Years
8425	Year-Round School Incentive
8434	Class Size Reduction, Grades K–3
8435	Class Size Reduction, Grade Nine
8480	Charter Schools Categorical Block Grant
8520	Child Nutrition
8530	Child Development Apportionments
8540	Deferred Maintenance Allowance
8545	School Facilities Apportionments
8550	Mandated Cost Reimbursements
8560	State Lottery Revenue
8571–8579	Tax Relief Subventions
8571	Voted Indebtedness Levies, Homeowners' Exemptions
8572	Voted Indebtedness Levies, Other Subventions/In-Lieu Taxes
8575	Other Restricted Levies, Homeowners' Exemptions
8576	Other Restricted Levies, Other Subventions/In-Lieu Taxes
8587	Pass-Through Revenues from State Sources
8590	All Other State Revenue
8600–8799	Other Local Revenue
8610–8629	County and District Taxes
8611	Voted Indebtedness Levies, Secured Roll
8612	Voted Indebtedness Levies, Unsecured Roll
8613	Voted Indebtedness Levies, Prior Years' Taxes
8614	Voted Indebtedness Levies, Supplemental Taxes
8615	Other Restricted Levies, Secured Roll
8616	Other Restricted Levies, Unsecured Roll
8617	Other Restricted Levies, Prior Years' Taxes
8618	Other Restricted Levies, Supplemental Taxes
8621	Parcel Taxes
8622	Other Non-Ad Valorem Taxes
8625	Community Redevelopment Funds Not Subject to Revenue Limit Deduction
8629	Penalties and Interest from Delinquent Non-Revenue Limit Taxes
8631–8639	Sales
8631	Sale of Equipment and Supplies
8632	Sale of Publications
8634	Food Service Sales
8639	All Other Sales
8650	Leases and Rentals

Procedure 330 Object Classification

<u>Code</u>	<u>Title</u>
8660	Interest
8662	Net Increase (Decrease) in the Fair Value of Investments
8670–8689	Fees and Contracts
8671	Adult Education Fees
8672	Nonresident Student Fees
8673	Child Development Parent Fees
8674	In-District Premiums/Contributions
8675	Transportation Fees from Individuals
8677	Interagency Services Between LEAs
8681	Mitigation/Developer Fees
8689	All Other Fees and Contracts
8690–8719	Other Local Revenue
8691	Plus: Miscellaneous Funds Non-Revenue Limit (50 Percent) Adjustment
8697	Pass-Through Revenue from Local Sources
8699	All Other Local Revenue
8710	Tuition
8780–8799	Interagency Transfers In
8780	Transfers from Sponsoring LEAs to Charter Schools in Lieu of Property Taxes (Obsolete as of 2007-08)
8781	All Other Transfers from Districts or Charter Schools
8782	All Other Transfers from County Offices
8783	All Other Transfers from JPAs
8791	Transfers of Apportionments from Districts or Charter Schools
8792	Transfers of Apportionments from County Offices
8793	Transfers of Apportionments from JPAs
8799	Other Transfers In from All Others
8900–8999	Other Financing Sources
8900–8929	Interfund Transfers In
8911	To Child Development Fund from General Fund
8912	Between General Fund and Special Reserve Fund
8913	To State School Building Fund/County School Facilities Fund from All Other Funds
8914	To General Fund from Bond Interest and Redemption Fund
8915	To Deferred Maintenance Fund from General, Special Reserve, and Building Funds
8916	To Cafeteria Fund from General Fund
8919	Other Authorized Interfund Transfers In
8930–8979	All Other Financing Sources
8931	Emergency Apportionments
8951	Proceeds from Sale of Bonds
8953	Proceeds from Sale/Lease Purchase of Land and Buildings
8961	County School Building Aid

Procedure 330 Object Classification

<u>Code</u>	<u>Title</u>
8965	Transfers from Funds of Lapsed/Reorganized LEAs
8971	Proceeds from Certificates of Participation
8972	Proceeds from Capital Leases
8973	Proceeds from Lease Revenue Bonds
8979	All Other Financing Sources
8980–8999	Contributions
8980	Contributions from Unrestricted Revenues
8990	Contributions from Restricted Revenues
8995	Categorical Education Block Grant Transfers
8997	Transfers of Restricted Balances (Inactive as of 2004-05)
8998	Categorical Flexibility Transfers per Budget Act Section 12.40
9000–9999	BALANCE SHEET
9100–9499	Assets
9110	Cash in County Treasury
9111	Fair Value Adjustment to Cash in County Treasury
9120	Cash in Bank(s)
9130	Revolving Cash Account
9135	Cash with a Fiscal Agent/Trustee
9140	Cash Collections Awaiting Deposit
9150	Investments
9200	Accounts Receivable
9290	Due from Grantor Governments
9310	Due from Other Funds
9320	Stores
9330	Prepaid Expenditures (Expenses)
9340	Other Current Assets
9400–9499	Capital Assets
9410	Land
9420	Land Improvements
9425	Accumulated Depreciation—Land Improvements
9430	Buildings
9435	Accumulated Depreciation—Buildings
9440	Equipment
9445	Accumulated Depreciation—Equipment
9450	Work in Progress
9500–9699	Liabilities
9500	Accounts Payable (Current Liabilities)
9501–9589	Accounts Payable—Locally Defined (When reporting to CDE, LEAs must roll up these objects to Object 9500.)

Procedure 330 Object Classification

<u>Code</u>	<u>Title</u>
9590	Due to Grantor Governments
9610	Due to Other Funds
9620	Due to Student Groups/Other Agencies
9640	Current Loans
9650	Deferred Revenue
9660–9669	Long-Term Liabilities (Not used in governmental funds)
9661	General Obligation Bonds Payable
9662	State School Building Loans Payable
9664	Net OPEB Obligation
9665	Compensated Absences Payable
9666	Certificates of Participation (COPs) Payable
9667	Capital Leases Payable
9668	Lease Revenue Bonds Payable
9669	Other General Long-Term Debt
9700–9799	Fund Balance/Net Assets
9700–9759	Fund Balance, Reserved
9710–9720	Reserve for Nonexpendable Assets
9711	Reserve for Revolving Cash
9712	Reserve for Stores
9713	Reserve for Prepaid Expenditures (Expenses)
9719	Reserve for All Others
9720	Reserve for Encumbrances (Budgetary account) (This account is not reported to CDE.)
9730	General Reserve
9740	Legally Restricted Balance
9760–9799	Fund Balance, Unreserved
9770	Designated for Economic Uncertainties
9775	Designated for the Unrealized Gains of Investments and Cash in County Treasury
9780	Other Designations
9790	Undesignated/Unappropriated
9791	Beginning Fund Balance
9793	Audit Adjustments
9795	Other Restatements
9800–9839	Budgetary Accounts (These accounts are not reported to CDE.)
9810	Estimated Revenue
9815	Estimated Other Financing Sources
9820	Appropriations
9825	Estimated Other Financing Uses
9830	Encumbrances

Procedure 330 Object Classification

<u>Code</u>	<u>Title</u>
9840–9899	Control Accounts (These accounts are not reported to CDE.)
9840	Revenue
9845	Other Financing Sources
9850	Expenditures
9855	Other Financing Uses
9910–9979	Nonoperating Accounts (These accounts are not reported to CDE.)
9910	Suspense Clearing

Object Code Definitions

(Italicized codes are optional; if used, they must be reported to CDE.)

Code Definition**1000–7999 EXPENDITURES**

Note: See also Appendix A, "Analysis of Salaries," for common function/object relationships found in salary expenditures.

1000–1999 **Certificated Personnel Salaries.** Certificated salaries are salaries for positions that require a credential or permit issued by the Commission on Teacher Credentialing. Salaries paid to an employee on leave of absence continue to be charged in the same manner and to the same account classification that was applicable while the employee was in active service of the LEA.

For compensated time off, a substitute for a position recorded in objects 1000–1999 should be charged to the same goal and function as the absent employee. For other than compensated time off, such as released time for negotiations, the substitute should be charged to the applicable goal and function.

1100 **Certificated Teachers' Salaries.** Record the full-time, part-time, and prorated portions of salaries for all certificated personnel employed to teach the pupils of the district or pupils in schools maintained by a county superintendent of schools. Include salaries for teachers of children in homes or hospitals, all special education resource specialists and teachers, substitute teachers, and instructional television teachers. Include salaries of teachers who provide instruction to students on a pullout basis.

The separate recording of teachers' salaries is required by *Education Code* Section 41011 and is limited to salaries of certificated employees paid to teach the pupils of the district or pupils in schools maintained by a county superintendent.

The following comments, interpretations, and definitions are included to guide school officials in determining whether the total salary or a portion of the salary would be charged to Object 1100.

The total salary is recorded in Object 1100 under the following conditions: The teacher is an employee of the district or office of the county superintendent in a position requiring certification qualifications. The teacher's duties require him or her to teach pupils of the district for at least one full instructional period on each school day for which he or she is employed, and he or she is assigned no duties

Procedure 330 Object Classification

Code

Definition

other than those that are connected with, or extensions of, classroom teaching. Such activities are limited to the following:

- Preparation for and evaluation of classroom work
- Extracurricular activities that arise from classroom work and are extensions of it (e.g., class or club sponsorship or supervision at school functions)
- Management of and instruction in a study hall
- Duties that are ordinarily assigned to certificated personnel in connection with the custody and control of pupils at recess or lunchtime, after school, or at other times

If a certificated employee teaches at least one instructional period each day that he or she is employed to teach and is also assigned other duties neither in connection with nor as an extension of classroom teaching, his or her salary must be prorated and recorded in Object 1100 and in the other objects that provide for recording of expenditures for the other assignment(s). The amount recorded in Object 1100 is the product of the employee's complete salary and the fraction of the full-time school day that the employee spent as a classroom teacher performing duties that are in connection with, or an extension of, classroom teaching as limited herein. The remaining portion is then charged to the object(s) in which expenditures for the other assignments are recorded. Some of the other assignments may pertain to work outside the field of teaching. If a teacher performs such assignments, it will be necessary to prorate a portion of the teacher's salary to classifications other than Object 1100.

The term *other assignments* that must be recorded or prorated to other object codes includes, but is not limited to, assignments usually and specifically assigned to persons employed in the following types of positions:

Certificated:

- General supervisors, coordinators, directors, specialists, consultants, supervisors of special subjects or grades, and certificated assistants (use Function 2100, Instructional Supervision and Administration, with Object 1300, Certificated Supervisors' and Administrators' Salaries)
- Chairperson of academic department (use Function 2700, School Administration, with Object 1300, Certificated Supervisors' and Administrators' Salaries)
- Principals, vice principals, assistant principals, deans, and assistant deans in individual schools (use Function 2700, School Administration, with Object 1300, Certificated Supervisors' and Administrators' Salaries)

Procedure 330 Object Classification

<u>Code</u>	<u>Definition</u>
	<ul style="list-style-type: none">• Librarians, assistant librarians, and audiovisual personnel (use Function 2420, Instructional Library, Media, and Technology, with Object 1200, Certificated Pupil Support Salaries)• Counselors, nurses, psychologists, psychometrists, audiometrists, and guidance and attendance personnel (use Pupil Service functions 3110 through 3150 with Object 1200, Certificated Pupil Support Salaries)
	Classified:
	<ul style="list-style-type: none">• School bus driver, custodian, secretary to the governing board, and supervisor of transportation
1200	Certificated Pupil Support Salaries. Record the full-time, part-time, and prorated portions of salaries of all certificated personnel performing services of librarian, social worker, or certificated personnel doing pupil personnel work; psychologists and psychometrists; counselors, as well as health services rendered by physicians, oculists, dentists, dental hygienists, nurses, optometrists, school audiometrists, psychiatrists, otologists, and other personnel as authorized in the field of physical and mental health and who are on the payroll of the LEA. Health services personnel must possess a services credential (<i>Education Code</i> sections 44872–44879 and 49422–49427).
1300	Certificated Supervisors' and Administrators' Salaries. Record the full-time, part-time, and prorated portions of salaries of principals, vice principals, administrative deans in individual schools, and other personnel performing similar duties; certificated personnel engaged in instructional supervision, including general supervisors, coordinators, directors, consultants, and supervisors of special subjects or grades and their certificated assistants (whether or not they supervise staff); superintendents and/or deputy, associate, area, and assistant superintendents in districts and offices of county superintendents of schools (<i>Education Code</i> sections 35028, 35029, 35030, 44065, 44066, and 44069). <i>Note:</i> The term <i>supervision</i> is used to designate those activities having as their purpose the actual improvement of instruction under the direction of supervisors and assistants. Such activities include (1) personal conferences with teachers on instructional problems; (2) classroom visitation; (3) group conferences with teachers; and (4) demonstration teaching.
1900	Other Certificated Salaries. Record the full-time, part-time, and prorated portions of salaries for all certificated personnel who do not fall within one of the categories previously specified. Examples of such personnel are special education and/or other program specialists, certificated civic center employees, or resource teachers not performing duties as a classroom teacher. Object 1900 is not open to instructional functions.

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<u>Code</u>	<u>Definition</u>
2000–2999	<p>Classified Personnel Salaries. Classified salaries are salaries for positions that do not require a credential or permit issued by the Commission on Teacher Credentialing. Salaries paid to an employee on leave of absence will continue to be charged in the same manner and to the same account classification as was applicable while the employee was in active service for the LEA.</p> <p>For compensated time off, a substitute for a position recorded in objects 2000–2999 should be charged to the same goal and function as the absent employee. For other than compensated time off, such as released time for negotiations, the substitute should be charged to the applicable goal and function.</p> <p>Student employees are to be coded to the goal, function, and object that represent the position they are filling. However, if the student is being paid as part of an educational program such as work experience, use Function 1000, Instruction, and Object 2900, Other Classified Salaries.</p>
2100	<p>Classified Instructional Salaries. Record total salaries paid to instructional aides who are required to perform any portion of their duty under the supervision of a classroom teacher or that of a special education resource specialist teacher (<i>Education Code</i> Section 41011). This code also includes salaries of noncertificated charter school teachers and other noncertificated instructional personnel, such as classified coaches, tutors, and drug/alcohol program mentors.</p>
2200	<p>Classified Support Salaries. This code is used to record the full-time, part-time, and prorated portions of salaries of classified employees not defined elsewhere who are working in the instructional media and library, student support, pupil transportation, food services, and maintenance and operations functions.</p> <p>Salaries for the instructional media and library function include the salaries of library and media aides.</p> <p>Salaries for the student support function include the salaries of counselor aides and health aides.</p> <p>Salaries for the pupil transportation function include the salaries of bus drivers, mechanics, field coordinators, gasoline-pump attendants, and all other personnel whose assignments are related to the transportation of students.</p> <p>Salaries for the food service function include the salaries of nutritionists, cooks, helpers, and all other food service personnel except those engaged in the management of the food service program on a districtwide basis. The salary of a classified director of food services, if districtwide, is recorded in Object 2300,</p>

Procedure 330 Object Classification

<u>Code</u>	<u>Definition</u>
	<p>Classified Supervisors' and Administrators' Salaries. The salary of a certificated director of food services, if districtwide, is recorded in Object 1300, Certificated Supervisors' and Administrators' Salaries.</p> <p>Salaries for the maintenance function include the salaries of carpenters, painters, plumbers, electricians, and other similar positions.</p> <p>The salaries for the operations function include the salaries of custodians, matrons, general utility workers, firefighters, dairy workers, guards, gardeners, elevator operators, warehouse workers, delivery personnel, truck drivers, and other similar positions.</p>
2300	<p>Classified Supervisors' and Administrators' Salaries. Record the full-time, part-time, and prorated portions of salaries of supervisory personnel who are business managers, controllers, directors, chief accountants, accounting supervisors, purchasing agents, site administrators, assistant superintendents, and superintendents. Include stipends for governing board members and personnel commission members. (For assistant superintendents and superintendents, see <i>Education Code</i> sections 35028, 35029, 35030, 44065, 44066, and 44069.)</p>
2400	<p>Clerical, Technical, and Office Staff Salaries. Record the full-time, part-time, and prorated portions of salaries paid to clerks, secretaries, accountants, bookkeepers, programmers and computer technical support, machine and computer operators, and others in similar positions.</p>
2900	<p>Other Classified Salaries. Record the full-time, part-time, and prorated portions of salaries not identifiable with objects 2100 through 2400 (e.g., noon supervision personnel, students employed for work experience, civic center aides, and building inspectors). Students employed as part of a work-study curriculum or job-training grant are coded to Function 1000, Instruction.</p>
3000–3999	<p>Employee Benefits. Record employers' contributions to retirement plans and health and welfare benefits, including cash in lieu of benefits for employees, their dependents, retired employees, and board members. Benefits are separated into two categories. A code that ends in 1 indicates benefits paid for personnel in certificated positions, and a code that ends in 2 indicates those paid for personnel in classified positions.</p> <p>Except for allocated costs of OPEB (objects 3701–3702) and retirement incentives (objects 3901–3902), employee benefits are charged to the program(s) to which the benefit-eligible employee's salary is charged.</p>

Procedure 330 Object Classification

<u>Code</u>	<u>Definition</u>
3101–3102	State Teachers' Retirement System. Record expenditures to provide personnel with retirement benefits under the State Teachers' Retirement System (STRS). This excludes employee contributions. Object 3101 is certificated personnel in STRS; Object 3102 includes those individuals who hold classified positions but are enrolled in STRS.
3201–3202	Public Employees' Retirement System. Record expenditures to provide personnel with retirement benefits under the Public Employees' Retirement System (PERS). This excludes employee contributions, although it does include the employer's payment of an employee's contribution. Object 3201 indicates those employees in certificated positions and enrolled in PERS; Object 3202 indicates employees in classified positions and enrolled in PERS.
3301–3302	OASDI/Medicare/Alternative. Record expenditures to provide employee benefits under the federal Social Security system. Include expenditures to qualifying alternative retirement plans for employees not covered under the Social Security system, STRS, or PERS. This excludes employee contributions. Object 3301 indicates that the Social Security benefits cover certificated positions; Object 3302 indicates that these benefits cover classified positions.
3401–3402	Health and Welfare Benefits. Record expenditures made to provide personnel with health and welfare insurance benefits. This excludes employee contributions but includes health and welfare benefit premiums paid to a self-insurance fund. Object 3401 indicates that the benefits cover certificated positions; Object 3402 indicates that the benefits cover classified positions.
3501–3502	State Unemployment Insurance. Record expenditures made to provide personnel with unemployment compensation. Object 3501 indicates that the state unemployment insurance covers certificated positions; Object 3502 indicates that the state unemployment insurance covers classified positions.
3601–3602	Workers' Compensation Insurance. Record expenditures made to provide personnel with workers' compensation benefits. This includes workers' compensation insurance premiums paid to a self-insurance fund. Object 3601 covers certificated positions; Object 3602 covers classified positions.
3701–3702	OPEB, Allocated. Record expenditures for postemployment benefits other than pensions (OPEB) for retirees and other former employees, whether for current-year benefit costs financed on a pay-as-you-go basis or for amortization of the past unfunded liability relating to retirees and other former employees. Record expenditures for amortization of the past unfunded liability relating to active employees, if such costs are not direct-charged (see objects 3751–3752).

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Do not include expenditures for normal costs for active employees; these must be direct-charged using objects 3751–3752.

Expenditures in objects 3701–3702 must be allocated to all activities in proportion to total salaries or total full-time equivalents (FTEs) in those activities. Object 3701 relates to certificated positions; Object 3702 relates to classified positions.

3751–3752 **OPEB, Active Employees.** Record expenditures for actuarially determined normal costs for postemployment benefits other than pensions (OPEB) for OPEB-eligible active employees.

Record expenditures for amortization of the past unfunded liability relating to OPEB-eligible active employees to the extent that amortization costs are not unduly burdensome or distorting to programs. Where such costs would be unduly burdensome or distorting to programs, they should be allocated to all activities using objects 3701–3702.

Do not include expenditures for retirees and other former employees; these must be allocated using objects 3701–3702.

Expenditures in objects 3751–3752 must be direct-charged on a per-eligible-FTE basis to the same resource, goal, and function as the OPEB-eligible active employee's salary. Object 3751 relates to certificated positions; Object 3752 relates to classified positions.

3801–3802 **PERS Reduction.** Report the transfers of funds from the LEA to the state. Object 3801 covers certificated positions; Object 3802 covers classified positions. The charge for PERS Reduction should follow the function of the related salary. Function 9200, Transfers Between Agencies, may be used instead of identifying specific functions, but either method must be used exclusively, not together. Amounts reported in objects 3801–3802 must equal the amount reported in Object 8092, PERS Reduction Transfer.

3901–3902 **Other Benefits.** Record the payment for tax-sheltered annuities, deferred compensation, cash-in-lieu, retirement incentives such as Golden Handshake, and other employee benefits not specified above. With the exception of retirement incentives, expenditures reported in objects 3901–3902 are charged to the program(s) to which the benefit-eligible employee's salary is charged. For direction on charging retirement incentives, see Procedure 655. Object 3901 is used for certificated positions; Object 3902 is used for classified positions.

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<u>Code</u>	<u>Definition</u>
4000–4999	Books and Supplies. Record expenditures for books and supplies, including any associated sales tax or use tax and freight and handling charges.
4100	<p>Approved Textbooks and Core Curricula Materials. Record expenditures for classroom instructional materials designed for use by pupils and their teachers as the basic curriculum adopted by the State Board of Education or the district board for required subject matter. Instructional materials may be printed or appear in some other form and may consist of textbooks, technology-based materials, and other educational materials, such as manipulatives (<i>Education Code</i> Section 60010[h]). The cost includes all consumable materials available in the approved series, such as kits, audiovisual materials, or workbooks.</p> <p>Teachers' manuals and editions relate to specific, basic, or supplementary textbooks and are intended for teachers' use rather than for pupils' use. They are part of the approved curriculum used in the classroom and so are part of Object 4100.</p> <p>Single issues of state-approved textbooks for review by research committees or curriculum directors would be coded to this object with an instruction-related service function, such as Function 2130, Curriculum Development.</p>
4200	<p>Books and Other Reference Materials. Record expenditures for books and other reference materials used by district personnel. Books used for reference are further identified by the appropriate function. For example, reference books for use in the nurse's office, in the district business office, or in the cafeteria would be coded to Function 3140, Health Services; Function 7200, Other General Administration; or Function 3700, Food Services, respectively. Function 1000, Instruction, would include (1) books that have not been adopted by the proper authority for use as basic curricula; (2) books, such as reference books, that are available for general use by students even though such books may be used solely in the classroom; and (3) all other materials used for reference purposes.</p> <p>Generally, the purchase of library books or other reference materials is coded to Object 4200. However, expenditures for library books to stock a new school library or for material expansion are recorded in Object 6300, Books and Media for New School Libraries or Major Expansion of School Libraries.</p> <p>Consumable materials other than those directly related to adopted curricula (Object 4100) have a limited shelf life of less than one year. Such materials as periodicals, magazines, workbooks, drill books, exercise pads, and the like are recorded in Object 4300, Materials and Supplies.</p>

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<u>Code</u>	<u>Definition</u>
4300	<p>Materials and Supplies. Record expenditures for consumable materials and supplies to be used by students, teachers, and other LEA personnel. Instructional materials and supplies are those used in the classroom by students and teachers. Other materials and supplies included in Object 4300 are those used in services and auxiliary programs, such as food service supplies; custodial supplies; gardening and maintenance supplies; supplies for operations; transportation supplies, including gasoline; supplies for repair and upkeep of equipment or buildings and grounds; and medical and office supplies.</p> <p>Expenditures for rentals of materials are coded to Object 5600, Rentals, Leases, Repairs, and Noncapitalized Improvements.</p> <p>Incidental materials and supplies included in payments to outside vendors for repair and maintenance services are coded to Object 5600, Rentals, Leases, Repairs, and Noncapitalized Improvements.</p> <p>Payments to outside vendors for duplication services should be coded to Object 5800, Professional/Consulting Services and Operating Expenditures.</p>
4400	<p>Noncapitalized Equipment. Record expenditures for movable personal property of a relatively permanent nature that has an estimated useful life greater than one year and an acquisition cost less than the LEA's capitalization threshold but greater than the LEA's inventory threshold pursuant to <i>Education Code</i> Section 35168 or local policy. For information on the capitalization threshold, refer to Procedure 770.</p>
4700	<p>Food. Record expenditures for food used in food-service activities for which the purpose is nourishment or nutrition (i.e., breakfast, snacks, lunch, and other similar items). Include food purchased by the food service program for student meals on field trips even if not reimbursed through the school lunch program.</p> <p>Object 4700, Food, is used only with Function 3700, Food Services.</p> <p>Expenditures for food used for instruction in a regular classroom (e.g., in a cooking class or as an instructional reward) are recorded in Object 4300, Materials and Supplies, with an instructional function. Expenditures for food for staff meetings and similar situations are recorded in Object 4300 with the appropriate function.</p>
5000–5999	<p>Services and Other Operating Expenditures. Record expenditures for services, rentals, leases, maintenance contracts, dues, travel, insurance, utilities, and legal and other operating expenditures. Expenditures may be authorized by contracts, agreements, purchase orders, and so forth.</p>

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<u>Code</u>	<u>Definition</u>
5100	<p>Subagreements for Services. Record expenditures for subagreements and subawards pursuant to certain contracts, subcontracts, and subgrants. Subagreements for Services may be formal or informal, written or verbal, and are indicated when a part or all of an instructional or support activity for which the LEA is responsible is conducted by a third party rather than by the LEA (see page 910-2, Categories of Costs, for definitions of instructional and support activities). The LEA's responsibility for the activity may originate from any grant, award, or entitlement, including general purpose entitlements.</p>

Following are general indicators of subagreements for services:

- Subagreements are, by definition, subordinate to something—typically to a grant, award, or entitlement, but at least to some expectation that an LEA has a responsibility for some activity.
- Subagreements are typically in functions 1000–3999 (and possibly 4000), but this is not the determining factor. Every contract or agreement in these functions is not necessarily a subagreement.
- Contracts for services between LEAs are subagreements if they have the characteristics of the "Subagreements for Services" model described in Procedure 750.
- Subcontracted expenditures generally do not generate or benefit from an LEA's administrative services (indirect costs) to the same extent that other expenditures do because the services provided under the subagreement are carried out by the other entity.

Some examples of subagreements for services include:

- Contracts with a third party to provide services required by a grant, such as the emergency services required by an Emergency Response Safety Grant
- Contracts with other entities to provide home-to-school transportation for the LEA's students
- Contracts with nonpublic schools for services to the LEA's special education students
- Contracts between charter schools and management companies to provide instruction to the charter school's students
- Cooperative projects and pass-through grants in which LEAs have both administrative and direct financial involvement (refer to Procedure 750)

Subagreements for services generally exclude:

- Pass-through grants in which LEAs have only administrative involvement (refer to Procedure 750)

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- Contracts for central administrative or "other" services (see page 910-2, Categories of Costs, for definitions of these services)
- Routine purchases of standard commercial goods or services from a vendor (refer to Object 5800, Professional/Consulting Services and Operating Expenditures)

When a distinction must be made between a subagreement and a routine purchase from a vendor, the substance of the transaction is more important than the form. For example, a contract with a vendor to provide home-to-school transportation to the LEA's students would be a subagreement, but a contract with the same vendor to rent buses for the LEA to transport its own students would be a routine purchase from a vendor. The form of the written agreements might be identical in that both might be contracts with a transportation vendor, yet the substance of the transactions is different.

Unlike other costs in objects 5000–5999, Object 5100 costs are excluded from the calculation of the indirect cost rate and from eligible program expenditures on which indirect costs are charged (see Procedure 915). However, in recognition that some general administration is necessary to process a subagreement, indirect cost guidelines allow that up to \$25,000 of each individual subagreement may be coded to Object 5800, Professional/Consulting Services and Operating Expenditures, with the remainder charged to Object 5100. The amount charged to Object 5800 is included in the calculation of the indirect cost rate and in eligible program expenditures on which indirect costs are charged. The \$25,000 limit per subagreement applies for the duration of the subagreement.

5200

Travel and Conferences. Record actual and necessary expenditures incurred by and/or for employees and other representatives of the LEA for travel and conferences (*Education Code* sections 35044 and 44032). Included in this object are fees paid for those individuals to attend conferences or training classes. Expenditures for employee conferences charged to this object should follow the goal and function of the employee.

Expenditures for conferences sponsored by the LEA are not coded to this object but are coded to the appropriate object for specific services purchased, such as Object 4300 for food, Object 5800 for caterers, Object 5600 for room rentals, and Object 2400 for staff time in preparing for the conference, in combination with Function 2140, In-house Instructional Staff Development, or Function 7410, Staff Development. (The use of Object 4700, Food, is restricted to Function 3700, Food Services.)

Expenditures for college tuition paid on behalf of employees are recorded to Object 5800, Professional/Consulting Services and Operating Expenditures.

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<u>Code</u>	<u>Definition</u>
5300	Dues and Memberships. Record the membership fee of an LEA in any society, association, or organization as authorized by <i>Education Code</i> Section 35172. Object 5300 may be used for the dues of an employee, such as a chief business official or a superintendent, if it is deemed that the LEA is represented and benefits from the membership. Use objects 3901–3902 for employee dues if it is deemed that the dues are a benefit only for the employee.
5400	Insurance. Record expenditures for all forms of insurance other than employee benefits. Use Function 9100, Debt Service, for bond insurance costs when issuing new bonds.
5440	<i>Pupil Insurance (Optional). Record expenditures for accidental death insurance and medical and hospital insurance for pupils. Use Function 1000, Instruction.</i>
5450	<i>Other Insurance (Optional). Record expenditures for all forms of insurance other than pupils' insurance. For fire and theft liability and fidelity bond premiums, use Function 7200, Other General Administration; for school buses, use Function 3600, Pupil Transportation; for food service vehicles, use Function 3700, Food Services.</i>
5500	Operations and Housekeeping Services. Record expenditures for water, heating fuel, light, power, waste disposal, pest control, laundry and dry cleaning (such as laundering of curtains and cleaning of drapes), and so forth. Include contracts for these services. Object 5500 is used only with the maintenance and operation functions 8100–8500 and Function 6000, Enterprise. Cleaning of uniforms, such as band or custodial uniforms, is charged to the appropriate function and Object 5800, Professional/Consulting Services and Operating Expenditures. Fuel for pupil transportation is coded to Object 4300, Materials and Supplies.
5600	Rentals, Leases, Repairs, and Noncapitalized Improvements. Record expenditures for rentals, leases without option to purchase, and repairs or maintenance (including maintenance agreements) of sites, buildings, and equipment by outside vendors. Include incidental materials and supplies included in the cost of repairs. Include expenditures for site or building improvements that do not meet the LEA's threshold for capitalization. Capital leases should be recorded according to the accounting procedures for lease/purchase agreements in Procedure 710.

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Rental of facilities is normally charged to Function 8700, Facilities Rents and Leases. The temporary rental of facilities incidental to a particular activity, such as the hourly or daily rental of a hall for a staff development workshop or the rental of an auditorium for a school graduation, is charged to the function of the benefiting activity.

5700–5799 **Transfers of Direct Costs.** Record the transfer of costs for services, other than indirect costs, between resources, goals, functions, and/or funds.

Typical transfers of direct costs between functions include services provided or products developed by the LEA, such as maintenance and repair of duplicating, audiovisual, or other equipment; photocopying expenses; field trips; district vehicle use; and information technology expenses. These types of costs may be accumulated in a particular function for ease of accounting and then transferred to the benefiting function(s) based on supporting documentation. For example, costs of field trips initially recorded in Function 3600, Pupil Transportation, are instructional costs and therefore are transferred to Function 1000, Instruction (see Example 1 in Procedure 640).

Typical transfers of direct costs between goals include the distribution of support costs to benefiting goals. For example, expenditures initially recorded to Function 8100, Plant Maintenance and Operations, with Goal 0000, Undistributed, may be transferred to the benefiting goal(s) on the basis of documentation or standardized allocation factors.

This account is also used to record transfers of administrative costs on any basis other than the indirect cost rate, such as administrative costs incurred in the general fund to calculate and collect developer fees.

5710 **Transfers of Direct Costs.** Record transfers within a fund for direct costs of services provided, as described above. This account must net to zero at the fund level.

5750 **Transfers of Direct Costs—Interfund.** Record transfers between funds for direct costs of services provided, as described above. This account will reflect a balance at the fund level for the amount of between-funds costs. The total between-funds debit and credit transactions must net to zero.

5800 **Professional/Consulting Services and Operating Expenditures.** Record expenditures for personal services rendered by personnel who are not on the payroll of the LEA. Professional/consulting services are delivered by an independent contractor (individual, entity, or firm) that offers its services to the public. Such services are paid on a fee basis for specialized services that are

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usually considered to be temporary or short term in nature, normally in areas that supplement the expertise of the LEA. This includes all related expenditures covered by the personal services contract.

Record expenditures for services such as printing, engraving, and so forth performed by an outside agency. This includes but is not limited to copies made from masters provided by the LEA.

Record expenditures for catering services provided by an outside vendor.

Record expenditures for college tuition paid on behalf of employees.

Record expenditures for lodging and admission tickets for students and staff on field trips.

Record expenditures for all advertising, including advertising for items such as bond sales, contract bidding, and personnel vacancies. Record expenditures for judgments, penalties, legal advice, attorneys, hearing officers, elections, audits, and other similar costs. Record expenditures for services provided, such as administration, bus transportation, audiovisual, and library.

Record assessments for other than capital improvements, including state assessment for nonuse of school sites. Record expenditures for surveys and appraisals of sites that are not purchased. Expenditures for surveys, appraisals, and assessments in connection with site purchases and/or improvements are recorded in Object 6100, Land, and/or Object 6170, Land Improvements.

Record expenditures for fees charged to LEAs by other local governmental agencies, such as counties, cities, and special districts, for required services. Such fees include those charged for health, building, and operating inspections and permits, plan reviews, and utility connection fees. These charges typically relate to emissions, fuel-tank operations, hazardous waste generation, chemical storage, food safety, water safety, and fire safety. Examples of departments and special districts that assess these fees include Air Pollution Control, Environmental or Public Health Services, Fire Department, and Public Water Control.

Record expenditures for Internet-based publications and materials. Record periodic costs of licensing, support, or maintenance agreements for nonequipment items, such as software. Initial licensing and other costs incurred as part of a major system acquisition should be recorded in Object 6400, Equipment.

Record expenditures not otherwise designated, such as payments of interest on loans repaid within the fiscal year, payments for damages to personal property,

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expenditures for fingerprints, physical and X-ray examinations required for employment, scholarship payments, and similar items.

Debt issuance costs, including underwriter discounts and fees, should be recorded here. If long-term debt is issued at a discount, the discount should be recorded in Object 7699, All Other Financing Uses.

May record up to \$25,000 for each individual subagreement as defined in Object 5100, Subagreements for Services. This is optional. The \$25,000 limit applies for the duration of the subagreement. The remainder of the subagreement must be recorded in Object 5100. Examples of subagreements are shown under Object 5100.

Note: Expenditures to nonpublic, nonsectarian schools for the education of children with exceptional needs should be charged to Object 5100, Subagreements for Services. Expenditures for excess costs and/or deficits in special education programs paid to provider school districts or county offices should be charged to objects 7141–7143, Other Tuition.

5900

Communications. Record expenditures for periodic servicing of all methods of communication, including pagers, cell phones, beepers, and telephone service systems. This object also includes the monthly charges for fax lines, TV cable lines, and Internet service and lines. The cost of postage stamps and "refill" of postage meters should be coded to Communications, as should the cost of parcel service or other means used to deliver a letter or other outgoing communications. Incoming shipping of purchased goods by parcel service or other means is considered to be part of the cost of goods purchased and should not be charged to Object 5900.

Generally, communication costs should be charged to either Function 2700, School Administration, or Function 7200, Other General Administration. Communication service fees may be charged to other functions by direct documentation, such as monthly statements. The monthly bills for pagers, cell phones, cable, and Internet services may follow the user if the charges can be documented. For example, Internet fees that are part of classroom instruction may be charged to Function 1000, Instruction.

The cost of communication equipment is normally coded to Object 4400, Noncapitalized Equipment. If the cost of a unit of equipment exceeds the capitalization threshold of the LEA, use Object 6400, Equipment, or Object 6500, Equipment Replacement, as appropriate. However, if the cost is minor and the expected life short, the cost of the equipment should be coded to Object 4300, Materials and Supplies.

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<u>Code</u>	<u>Definition</u>
	<p>The cost of wiring and installing cables for communication equipment that become an integral part of the building or building service system is coded to Object 6200, Buildings and Improvement of Buildings, with Function 8500, Facilities Acquisition and Construction. Repairs to these lines would be coded to Function 8100, Plant Maintenance and Operations, with either Object 5600, Rentals, Leases, Repairs, and Noncapitalized Improvements, or with the salary or supply object codes of the maintenance budget.</p>
6000–6999	<p>Capital Outlay. Record expenditures for land, buildings, equipment, capitalized complements of books for new libraries, and other intangible capital assets, such as computer software, including items acquired through leases with option to purchase.</p> <p>These object codes are not used in proprietary funds, in which capital assets are recorded in Objects 9400–9499 and subsequently depreciated.</p>
6100	<p>Land. Record the costs of acquisition of land and additions to old sites and adjacent ways. Include incidental expenditures in connection with the acquisition of sites, such as appraisal fees, search and title insurance, surveys, and condemnation proceedings, and fees. If a site is not purchased after the appraisal or survey, record the expenditure in Object 5800, Professional/Consulting Services and Operating Expenditures. Include costs to remove buildings on newly acquired sites. Use with Function 8500, Facilities Acquisition and Construction.</p>
6170	<p>Land Improvements. Record expenditures for each of the following with Function 8500, Facilities Acquisition and Construction:</p> <ul style="list-style-type: none">• Improvements of sites (new and old) and adjacent ways that meet the LEA's threshold for capitalization. Include such work as grading, landscaping, seeding, and planting shrubs and trees; constructing new sidewalks, roadways, retaining walls, sewers, and storm drains; installing hydrants; treating soil and surfacing athletic fields and tennis courts; furnishing and installing fixed playground apparatus, flagpoles, gateways, fences, and underground storage tanks that are not parts of building service systems; and doing demolition work in connection with improvement of sites.• Leasehold improvements to sites. Include costs of site improvements to leased property.• Payment of special assessments. Include assessments against the school district for capital improvements such as streets, curbs, sewers, drains, and pedestrian tunnels whether on or off school property.
6200	<p>Buildings and Improvements of Buildings. Record costs of construction or purchase of new buildings (including relocatable buildings, such as portable</p>

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	<p>classrooms) and additions and replacements of obsolete buildings, including advertising; architectural and engineering fees; blueprinting; inspection service (departmental or contract); tests and examinations; demolition work in connection with construction of electrical, sprinkling, or warning devices; installation of heating and ventilating fixtures, attachments, and built-in fixtures; and other expenditures directly related to the construction or acquisition of buildings.</p> <p>Record costs of improvements of buildings, including alterations, remodeling, renovations, and replacement of buildings in whole or in part, that meet the LEA's threshold for capitalization. Include leasehold improvements.</p> <p>Use with Function 8500, Facilities Acquisition and Construction.</p>
6300	<p>Books and Media for New School Libraries or Major Expansion of School Libraries. Record expenditures for books and materials for new and materially expanded libraries.</p>
6400	<p>Equipment. Record expenditures for movable personal property, including such equipment as vehicles, machinery, computer systems, and playground equipment, that have both an estimated useful life over one year and an acquisition cost equal to or greater than the capitalization threshold established by the LEA. (For more detail, refer to Procedure 770.)</p> <p>Record the initial acquisition of computer software that exceeds the LEA's capitalization threshold, including research and development costs, licensing, and installation or training.</p> <p>Piece-for-piece replacements of equipment are recorded in Object 6500, Equipment Replacement, if the unit cost exceeds the LEA's capitalization threshold.</p> <p>Initial built-in fixtures that are integral parts of the building or building service system are recorded in Object 6200, Buildings and Improvement of Buildings.</p>
6500	<p>Equipment Replacement. Record expenditures for equipment replaced on a piece-for-piece basis. These expenditures must be identified for purposes of the calculation of the current expense of education (<i>Education Code</i> Section 41372).</p>
6900	<p>Depreciation Expense (for proprietary and fiduciary funds only). Record the portion of the cost of a capital asset charged as an expense during the fiscal year. In accounting for depreciation, the cost of a capital asset less any anticipated salvage value is prorated over the estimated service life of the asset, and each</p>

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	period is charged with a portion of that cost. Through this process, the cost of the asset less salvage value is ultimately charged as an expense.
	<i>Note:</i> This object is applicable only for funds 61, 62, 63, 66, 67, and 73.
7000–7499	Other Outgo
7100–7199	Tuition
7110	Tuition for Instruction Under Interdistrict Attendance Agreements. Record expenditures for tuition under interdistrict attendance agreements incurred as a result of a district's realizing a reduction of 25 percent or more in PL 81–874 funds if the average daily attendance of pupils residing within the district is credited to the district of attendance (<i>Education Code</i> Section 46607[b]).
7130	State Special Schools. Record payments for students placed in state special schools.
7141	Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools. Record payments for tuition, excess costs, and/or deficits paid to programs operated by other school districts or charter schools. Use Function 9200, Transfers Between Agencies.
7142	Other Tuition, Excess Costs, and/or Deficit Payments to County Offices. Record payments for tuition, excess costs, and/or deficits paid to programs operated by county superintendents of schools. Use Function 9200, Transfers Between Agencies.
7143	Other Tuition, Excess Costs, and/or Deficit Payments to JPAs. Record payments for tuition, excess costs, and/or deficits paid to programs operated by a joint powers agency (JPA). Use Function 9200, Transfers Between Agencies.
7200–7299	Interagency Transfers Out
7211	Transfers of Pass-Through Revenues to Districts or Charter Schools. Report disbursements of pass-through grants to school districts or charter schools in which the recipient LEA has administrative involvement only for the grants. The recipient LEA does not also have a responsibility to operate the project.
7212	Transfers of Pass-Through Revenues to County Offices. Report disbursements of pass-through grants to county offices in which the recipient LEA has administrative involvement only for the grants. The recipient LEA does not also have a responsibility to operate the project.

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<u>Code</u>	<u>Definition</u>
7213	Transfers of Pass-Through Revenues to JPAs. Report disbursements of pass-through grants to JPAs in which the recipient LEA has administrative involvement only for the grant. The recipient LEA does not also have a responsibility to operate the project.
7221	Transfers of Apportionments to Districts or Charter Schools. Record transfers to school districts or charter schools of apportionments, such as special education and regional occupational centers/programs.
7222	Transfers of Apportionments to County Offices. Record transfers to county offices of apportionments, such as special education and regional occupational centers/programs.
7223	Transfers of Apportionments to JPAs. Record transfers to JPAs of apportionments, such as special education and regional occupational centers/programs.
7280	Transfers to Charter Schools in Lieu of Property Taxes (Obsolete as of 2007-08). Formerly used to record funds in lieu of property taxes transferred by the sponsoring LEA to a charter school according to <i>Education Code</i> Section 47635. Use Object 8096, Transfers to Charter Schools in Lieu of Property Taxes, beginning 2007-08.
7281	All Other Transfers to Districts or Charter Schools. Record transfers to school districts or charter schools of resources other than apportionments or pass-through revenues. An example is the transfer of funding from a county office of education to a direct service district for health services.
7282	All Other Transfers to County Offices. Record transfers to county offices of resources other than apportionments or pass-through revenues.
7283	All Other Transfers to JPAs. Record transfers to JPAs of resources other than apportionments or pass-through revenues.
7299	All Other Transfers Out to All Others. Record transfers of resources to non-LEAs.
7300–7399	Transfers of Indirect Costs. Record transfers of indirect costs between resources, goals, and funds. Use with Function 7210, Indirect Cost Transfers, for both the debit and the credit.

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Note: Objects 7370 and 7380 are valid through 2007-08. Beginning in 2008-09, use objects 5710 and 5750, Transfers of Direct Costs, to transfer direct costs and administrative costs other than indirect costs.

7310	Transfers of Indirect Costs. Record transfers within a fund of indirect costs, as described above. This account must net to zero by function at the fund level.
7350	Transfers of Indirect Costs—Interfund. Record transfers between funds of indirect costs, as described above. This account will reflect a balance at the fund level for the amount of between-funds costs; the total between-funds debit and credit transactions must net to zero by object.
7370	Transfers of Direct Support Costs (Valid through 2007-08). Record transfers of direct support costs between programs within a fund. This account must net to zero by function at the fund level. The function used may be one of many support functions, such as Function 3110, Guidance and Counseling Services, or Function 8100, Plant Maintenance and Operations. This account may also be used to record transfers of administrative costs other than indirect costs using Function 7210. Use Object 5710, Transfers of Direct Costs, beginning 2008-09.
7380	Transfers of Direct Support Costs—Interfund (Valid through 2007-08). Record transfers of direct support costs between funds. This account will reflect a balance at the fund level but only for the amount of between-funds costs. The total between-funds debit and credit transactions must net to zero by object as well as by function. This account may also be used to record transfers of administrative costs other than indirect costs using Function 7210. Use Object 5750, Transfers of Direct Costs—Interfund, beginning in 2008-09.
7430–7439	Debt Service. Debt service consists of expenditures for the retirement of debt and for interest on debt, except principal and interest on current or short-term loans (money borrowed and repaid during the same fiscal year). Use with Function 9100, Debt Service.
7432	State School Building Repayments. Record expenditures for state school building loan repayments (<i>Education Code</i> Section 16090).
7433	Bond Redemptions. Record expenditures to retire the principal of bonds.
7434	Bond Interest and Other Service Charges. Record expenditures to pay interest and other service charges on bonds.

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<u>Code</u>	<u>Definition</u>
7435	Repayment of State School Building Fund Aid—Proceeds from Bonds. Record expenditures for the repayment of the State School Building Aid Fund using the proceeds from the sale of bonds (<i>Education Code</i> Section 16058).
7436	Payments to Original District for Acquisition of Property. Record expenditures to cover the liability of a newly organized district to the original district for the new district's proportionate share of the bonded indebtedness of the original district.
7438	Debt Service—Interest. Record that portion of a debt service payment that represents the current interest expense due on the long-term debt.
7439	Other Debt Service—Principal. Record that portion of the other debt service payment that represents the repayment of principal of long-term debt. Examples of other long-term debt include capital leases and certificates of participation.
7600–7699	Other Financing Uses. The following objects are used for the transfer of funds or expenditures for other than general operations. They are used with the Other Outgo functions: Function 9100, Debt Service; Function 9200, Transfers Between Agencies; or Function 9300, Interfund Transfers.
7600–7629	Interfund Transfers Out
7611	From General Fund to Child Development Fund. Record transfers of moneys from the general fund to support the activities in the child development fund (<i>Education Code</i> Section 41013). Use Object 8911 in the fund receiving the transfer.
7612	Between General Fund and Special Reserve Fund. Record transfers of moneys between the general fund and the special reserve fund (<i>Education Code</i> sections 42840–42843). Use Object 8912 in the fund receiving the transfer.
7613	To State School Building Fund/County School Facilities Fund from All Other Funds of the District. Record transfers of any moneys of the district that are required to be expended for the project for which such apportionment was made. Use Object 8913 in the fund receiving the transfer.
7614	From Bond Interest and Redemption Fund to General Fund. Record transfers of moneys from the bond interest and redemption fund to the general fund or to the special reserve fund after all principal and interest payments have been made (<i>Education Code</i> sections 15234 and 15235). Use Object 8914 in the fund receiving the transfer.

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<u>Code</u>	<u>Definition</u>
7615	From General, Special Reserve, and Building Funds to Deferred Maintenance Fund. Record transfers of moneys from the general, special reserve, and/or building funds to the deferred maintenance fund to support state match requirements (<i>Education Code</i> sections 17582–17587). Use Object 8915 in the fund receiving the transfer.
7616	From General Fund to Cafeteria Fund. Record transfers of moneys from the general fund to the cafeteria fund. LEAs may record the transfer of Meals for Needy Pupils as an interfund transfer rather than as a revenue limit transfer. Use Object 8916 in the fund receiving the transfer.
7619	Other Authorized Interfund Transfers Out. Record all other authorized transfers of moneys to another fund. Use Object 8919 in the fund receiving the transfer.
7630–7699	All Other Financing Uses
7651	Transfers of Funds from Lapsed/Reorganized LEAs. Record the disbursement of funds identified under <i>Education Code</i> sections 35560 and 35561. Also record the disbursement of funds from a defunct charter school or from a charter school whose authorizing agency changes.
7699	All Other Financing Uses. Record expenditures for other financing uses not specified above. If long-term debt is issued at a discount, record the discount here. Debt issuance costs such as underwriter discounts and fees should be recorded in Object 5800. Do not use Object 7699 for debt service payments or for the return of unexpended resources to the grantor agency.
8000–8999	REVENUES AND OTHER FINANCING SOURCES
8000–8799	Revenues
8010–8099	Revenue Limit Sources. By law, most State School Fund apportionments or allowances to an LEA must be deposited in the general fund of the LEA. All such amounts must be accounted for in terms of the gross amount apportioned. Deductions and withholdings made by the State Controller, as required by law, must be accounted for as expenditures just as they would if the full apportionment had been received and an LEA warrant had been drawn for such purposes. Before the gross revenue limit apportionment is determined, the state makes the adjustments of special education and county community school revenue limit funds for county-operated programs transferred from school districts to offices of

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<u>Code</u>	<u>Definition</u>
	county superintendents of schools. These adjustments will not be accounted for as expenditures.
	Revenue that was not previously accrued but is the result of the correction of a prior apportionment, or is included in the final state apportionment, should be recorded in the revenue class or classes that define the original apportionment.
8010–8019	Principal Apportionment
8011	Revenue Limit State Aid—Current Year. Record amounts allowed for the current year, including amounts accrued at the end of the fiscal year. For school districts, this primarily includes general purpose funds allocated per regular kindergarten through grade twelve average daily attendance (<i>Education Code</i> Section 42238). For county offices of education, this primarily includes funds allocated for direct services provided to school districts and for performance of other county school service fund operations (<i>Education Code</i> sections 2550 and 14054), and services statutorily required or otherwise provided pursuant to <i>Education Code</i> sections 1240 through 1281.
8015	Charter Schools General Purpose Entitlement—State Aid. Record the state-aid portion of the general purpose entitlement funding for charter schools. Include prior year adjustments. (Direct-funded charter schools use Object 8311 for supplemental instruction revenue.)
8019	Revenue Limit State Aid—Prior Years. Record amounts received but not previously accrued for prior years' revenue limit state aid.
8020–8039	Tax Relief Subventions
8021	Homeowners' Exemptions. Record amounts received for loss of revenue because of homeowners' exemptions (<i>Revenue and Taxation Code</i> Section 218).
8022	Timber Yield Tax. Record the yield tax collected by the State Board of Equalization on timber harvested from private or public land (<i>Government Code</i> Section 27423; <i>Revenue and Taxation Code</i> Section 38905.1).
8029	Other Subventions/In-Lieu Taxes. Record amounts received for loss of revenue because of exemptions for motion picture films and wine and brandy products (<i>Revenue and Taxation Code</i> Section 988; <i>Education Code</i> Section 41052) and

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<u>Code</u>	<u>Definition</u>
	severance-aid allowances for real property acquired for state highway purposes (<i>Education Code</i> Section 41960).
8040–8079	County and District Taxes. Record revenue from local sources in the appropriate subordinate classifications in this major classification. All revenue received from tax sources is to be accounted for when received (cash basis). Credits to the various LEA tax accounts are made on receipt of an apportionment notice from the county superintendent of schools indicating that taxes have been deposited in the county treasury.
8041	Secured Roll Taxes. Record revenue from taxes levied on the secured roll (<i>Revenue and Taxation Code</i> sections 2601–2636).
8042	Unsecured Roll Taxes. Record revenue from taxes levied on the unsecured roll (<i>Revenue and Taxation Code</i> sections 2901–2928.1).
8043	Prior Years' Taxes. Record revenue from tax levies of prior years. Include secured and unsecured receipts from redemptions and tax sales.
8044	Supplemental Taxes. Record taxes resulting from changes in assessed value due to changes in ownership and completion of new construction at the time they occur (<i>Revenue and Taxation Code</i> sections 75–75.9).
8045	Education Revenue Augmentation Fund (ERAF). Report the shift of property taxes from local agencies to schools according to SB 617 (Chapter 699, 1992), SB 844 (Chapter 700, 1992) and SB 1559 (Chapter 691, 1992).
8047	Community Redevelopment Funds. Report community redevelopment funds, except for any amount received pursuant to Section 33401 or Section 33676 of the <i>Health and Safety Code</i> that are used for land acquisition, facility construction, reconstruction or remodeling, or deferred maintenance, and except for any amount received pursuant to sections 33492.15, 33607.5, and 33607.7 of the <i>Health and Safety Code</i> that is allocated exclusively for educational facilities (<i>Education Code</i> Section 42238[h][6]). These exceptions should be recorded in Object 8625, Community Redevelopment Funds Not Subject to Revenue Limit Deduction.
8048	Penalties and Interest from Delinquent Taxes. Record penalties and interest assessed on objects 8041–8044.
8070	Receipts from County Board of Supervisors (County School Service Fund [CSSF] only). Record receipts of taxes levied by county governments for the operations of fiscally dependent county offices of education.

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<u>Code</u>	<u>Definition</u>
8080–8089	Miscellaneous Funds. Include miscellaneous funds received from federal, state, and local sources (<i>Education Code</i> Section 41604).
8081	Royalties and Bonuses. Record the total amount of payments of all or a portion of the royalties and bonuses received from the operation of any law under the terms of any agreement. Subsequently, 50 percent of the amounts recorded here should be transferred to Other Local Revenue by debiting Object 8089 and crediting Object 8691.
8082	Other In-Lieu Taxes. Record payments received by the school district or county office in lieu of taxes on property or other tax base not subject to taxation on the same basis as privately owned property. Subsequently, 50 percent of the amounts recorded here should be transferred to Other Local Revenue by debiting Object 8089 and crediting Object 8691. Amounts received by a charter school in lieu of property taxes from its sponsoring LEA should be recorded in Object 8096, Transfers to Charter Schools in Lieu of Property Taxes.
8089	Less: Non-Revenue Limit (50 Percent) Adjustment. Record the transfer of 50 percent of the amounts in objects 8081 and 8082 from unrestricted Revenue Limit Sources to Other Local Revenue by debiting Object 8089 and crediting Object 8691. Objects 8089 and 8691 must net to zero.
8090–8099	Revenue Limit Transfers
8091	Revenue Limit Transfers—Current Year. Record transfers of Revenue Limit Sources to applicable restricted resources, such as special education or continuation education, in the general fund or other funds. This account should net to zero LEA-wide.
8092	PERS Reduction Transfer. Record the reduction to the revenue limit as a result of the PERS transfer. The amount reported in Object 8092 must equal the amounts reported in objects 3801–3802, PERS Reduction.
8096	Transfers to Charter Schools in Lieu of Property Taxes (Effective 2007-08). Record funds transferred in lieu of property taxes by the sponsoring LEA to a charter school pursuant to <i>Education Code</i> Section 47635. This account is debited by the sponsoring LEA making the payment and credited by the charter school receiving the payment. This account should net to zero statewide.
8097	Property Taxes Transfers. For county offices, report any transfer of taxes within the County School Service Fund, such as excess taxes transferred to the ROC/P;

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<u>Code</u>	<u>Definition</u>
	or the Special Education portion of revenue limit taxes; or transfers between LEAs, such as excess special education taxes transferred to districts or transfers of special education taxes between counties.
	For school districts, report any excess special education taxes collected by the county offices of education and subsequently transferred to the school districts. This account should net to zero statewide.
8099	Revenue Limit Transfers—Prior Years. Record prior year adjustments of revenue limit sources transferred to applicable restricted resources, such as special education or continuation education. This account should net to zero LEA-wide.
8100–8299	Federal Revenue. Record in the appropriate subordinate classifications revenue received from the federal government. Record federal revenue for which the state or any other agency serves as the distributing agency.
8110	Maintenance and Operations (Public Law 81-874). Record the amounts allowed for maintenance and operations of the district resulting from the identification of students or parents in federally impacted areas in accordance with Impact Aid programs. These funds are in lieu of property taxes and, except for the additional funds provided for federally connected children with disabilities, are unrestricted.
8181	Special Education—Entitlement. Record the federal Individuals with Disabilities Education Act of 2004 (IDEA) entitlement, which is deducted from the state apportionment for special education (see Resource 3310).
8182	Special Education—Discretionary Grants. Record all other federal revenues for special education pursuant to the IDEA.
8220	Child Nutrition Programs. Record federal revenues for child nutrition programs.
8260	Forest Reserve Funds. Record all revenue from forest reserve funds apportioned by the federal government and distributed to the district by the county superintendent of schools with the approval of the county board of education (<i>Education Code</i> Section 2300).
8270	Flood Control Funds. Record all revenue from flood-control funds apportioned by the federal government and distributed to the district by the county superintendent of schools with the approval of the county board of education (<i>Education Code</i> Section 1606).

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<u>Code</u>	<u>Definition</u>
8280	U.S. Wildlife Reserve Funds. Record amounts received from U.S. Wildlife Reserve funds.
8281	FEMA. Record revenues received from the Federal Emergency Management Agency.
8285	Interagency Contracts Between LEAs. Record federal revenues received from another LEA for providing services on a contractual basis for the other LEA.
8287	Pass-Through Revenues from Federal Sources. Record the receipt of those federal pass-through grants in which the recipient LEA has only administrative involvement. Refer to Procedure 750 for information regarding pass-through activities. The disbursements of these pass-through grants should be recorded using objects 7211, 7212, and 7213, as appropriate.
8290	All Other Federal Revenue. Record all other federal funds received.
8300–8599	Other State Revenue
8311	Other State Apportionments—Current Year. Report revenues received under the Principal Apportionment other than the state-aid portion of the revenue limit. Include apportionments for Regional Occupational Centers and Programs, Adult Education, the apprenticeship program, supplemental instruction programs, Community Day School additional hours funding, special education programs, and Gifted and Talented Education. Report revenues received under the Special Purpose Apportionment. They include apportionments for Home-to-School Transportation, Special Education Transportation, and Economic Impact Aid. This account is intended to record amounts allowed for the current year, including amounts accrued at the end of the fiscal year.
8319	Other State Apportionments—Prior Years. Record the amounts received but not previously accrued for prior years' revenues received under the Principal Apportionment other than the state portion of the revenue limit.
8425	Year-Round School Incentive. Record revenues for year-round school pursuant to <i>Education Code</i> Section 42260 et seq.

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<u>Code</u>	<u>Definition</u>
8434	Class Size Reduction, Grades K–3. Record revenues realized for reducing class size in kindergarten and grades one through three, inclusive, pursuant to <i>Education Code</i> sections 52120–52128.
8435	Class Size Reduction, Grade Nine. Record unrestricted revenues for reducing class size in grade nine pursuant to <i>Education Code</i> sections 52080–52090.
8480	Charter Schools Categorical Block Grant. Record the charter schools block grant amount in lieu of categorical funding.
8520	Child Nutrition. Record state revenues for child nutrition programs.
8530	Child Development Apportionments. Record revenues for child development programs.
8540	Deferred Maintenance Allowance. Record the allocation of State School Deferred Maintenance funds received by the LEA from the State Allocation Board (<i>Education Code</i> sections 17582–17587).
8545	School Facilities Apportionments. Record state apportionments received for school facilities projects funded pursuant to the Leroy F. Greene School Facilities Act of 1998 (<i>Education Code</i> sections 17070–17079).
8550	Mandated Cost Reimbursements. Record in the year received amounts for reimbursements of costs of legislatively mandated programs (<i>Government Code</i> sections 17500–17616).
8560	State Lottery Revenue. Record the revenue received under the California State Lottery Act of 1984 (<i>Government Code</i> Section 8880.4). This revenue is recorded in the general fund.
8571–8579	Tax Relief Subventions
8571	Voted Indebtedness Levies, Homeowners' Exemptions. Record amounts received for loss of revenue because of homeowners' exemptions. These amounts are restricted levies for debt service repayment proceeds.
8572	Voted Indebtedness Levies, Other Subventions/In-Lieu Taxes. Record amounts received for loss of revenue because of certain exemptions. These amounts are restricted levies for debt service repayment proceeds.
8575	Other Restricted Levies, Homeowners' Exemptions. Record amounts received for loss of revenue because of homeowners' exemptions. These amounts are

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<u>Code</u>	<u>Definition</u>
	restricted levies for other than debt service repayment proceeds, such as the County Free Library Tax.
8576	Other Restricted Levies, Other Subventions/In-Lieu Taxes. Record amounts received for loss of revenue because of certain exemptions. These amounts are restricted levies for other than debt service repayment proceeds, such as the County Free Library Tax.
8587	Pass-Through Revenues from State Sources. Record the receipt of those state pass-through grants in which the recipient LEA has only administrative involvement. Refer to Procedure 750 for information regarding pass-through activities. The disbursements of these pass-through grants should be recorded using objects 7211, 7212, and 7213, as appropriate.
8590	All Other State Revenue. Record all other state funds received.
8600–8799	Other Local Revenue. Record in the appropriate subordinate classifications in this major classification revenue from local sources. All revenue received from tax sources is to be accounted for when it is received (cash basis). Credits to an LEA's various tax accounts are made on receipt of an apportionment notice from the county superintendent of schools indicating that taxes have been deposited in the county treasury.
8610–8629	County and District Taxes
8611	Voted Indebtedness Levies, Secured Roll. Record revenue from taxes levied on the secured tax roll for debt service repayment.
8612	Voted Indebtedness Levies, Unsecured Roll. Record revenue from taxes levied on the unsecured tax roll for debt service repayment.
8613	Voted Indebtedness Levies, Prior Years' Taxes. Record revenue from tax levies of prior years for debt service repayment. Include secured and unsecured receipts from redemptions and tax sales.
8614	Voted Indebtedness Levies, Supplemental Taxes. Record taxes resulting from changes in assessed value because of changes in ownership and completion of new construction at the time they occur. Record in this account those taxes for debt service repayment.

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<u>Code</u>	<u>Definition</u>
8615	Other Restricted Levies, Secured Roll. Record revenue from taxes levied on the secured tax roll in excess of the statutory rates authorized in the <i>Education Code</i> for purposes other than debt service repayment, such as the County Free Library Tax.
8616	Other Restricted Levies, Unsecured Roll. Record revenue from taxes levied on the unsecured tax roll in excess of the statutory rates authorized in the <i>Education Code</i> for purposes other than debt service repayment, such as the County Free Library Tax. Include secured and unsecured receipts from redemptions and tax sales.
8617	Other Restricted Levies, Prior Years' Taxes. Record revenue from tax levies of prior years in excess of the statutory rates authorized in the <i>Education Code</i> for purposes other than debt service repayment, such as the County Free Library Tax. Include secured and unsecured receipts from redemptions and tax sales.
8618	Other Restricted Levies, Supplemental Taxes. Record taxes resulting from changes in assessed value because of changes in ownership and completion of new construction at the time they occur. Record in this account those restricted levies for purposes other than debt service repayment, such as the County Free Library Tax.
8621	Parcel Taxes. Record the special taxes based on other than the value of properties (not ad valorem) levied by LEA.
8622	Other Non-Ad Valorem Taxes. Record all other non-ad valorem taxes, such as sales taxes or maintenance assessment district funds or Mello-Roos special tax receipts.
8625	Community Redevelopment Funds Not Subject to Revenue Limit Deduction. Record community redevelopment funds not subject to the revenue limit deduction pursuant to <i>Education Code</i> Section 42238(h)(6). Include amounts received pursuant to <i>Health and Safety Code</i> Section 33401 or Section 33676 that are used for land acquisition, facility construction, reconstruction, remodeling, or deferred maintenance and amounts received pursuant to <i>Health and Safety Code</i> sections 33492.15, 33607.5, or 33607.7 that are allocated exclusively for educational facilities.
8629	Penalties and Interest from Delinquent Non-Revenue Limit Taxes. Record penalties and interest collected on delinquent nonrevenue limit taxes.

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<u>Code</u>	<u>Definition</u>
8631–8639	Sales
8631	Sale of Equipment and Supplies. Record revenue from the sale of supplies and equipment no longer needed by the LEA. The money received is to be placed to the credit of the fund from which the original expenditure for the purchase of the personal property was made (<i>Education Code</i> Section 17547).
8632	Sale of Publications. Record revenue from the sale of publications.
8634	Food Service Sales. Record sales of meals and other food items.
8639	All Other Sales. Record revenue received from all other sales, such as farm products and printed forms. In the Warehouse Revolving Fund, record revenue received for items requisitioned by site, program, or department staff.
8650	Leases and Rentals. Record revenue for the use of school buildings or portions thereof, houses and other real or personal property of the LEA, and fees collected for civic center use, including reimbursements for custodial salaries and other costs.
8660	Interest. Record revenue credited or prorated by the county auditor for interest on deposits of the LEA's funds with the county treasurer and interest earnings. Record any premium on issuance of short-term debt such as Tax and Revenue Anticipation Notes (TRANs).
8662	Net Increase (Decrease) in the Fair Value of Investments. Report gains and losses on investments, including changes in the fair value of investments that include the realized and unrealized gains and losses. Refer to Procedure 425 for information regarding accounting for and reporting the fair value of investments.
8670–8689	Fees and Contracts
8671	Adult Education Fees. Record revenue received from students enrolled in classes for adults under <i>Education Code</i> Section 52612. This revenue is recorded in the Adult Education Fund.
8672	Nonresident Student Fees. Record the revenue received from parents or guardians for the total cost of educating foreign residents in the schools of the LEA (<i>Education Code</i> Section 48052).

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<u>Code</u>	<u>Definition</u>
8673	Child Development Parent Fees. Record revenue received from parents or guardians as fees for the instruction and care of children in child development programs. This revenue is recorded in the Child Development Fund.
8674	In-District Premiums/Contributions. Record revenue received by a self-insurance fund from other funds of the district for insurance protection, necessary reserves, or deductible amounts or revenue received by the Retiree Benefit Fund for restricted money from salary-reduction agreements, other contributions for employee retirement benefit payments, or both.
8675	Transportation Fees from Individuals. Report fees paid by students to be transported to school. This object may be used only with Resource 7230, Transportation: Home to School.
8677	Interagency Services Between LEAs. Record revenue received from another LEA for contract services provided for the other LEA, except for federal moneys. Include amounts received for supervisorial oversight or for administrative or other services provided to a charter school by an authorizing LEA pursuant to <i>Education Code</i> Section 47613. To ensure that federal interagency revenues retain their federal identity, they should be reported in Object 8285, Interagency Contracts Between LEAs. Expenditures made by an LEA to fulfill contracts on behalf of another LEA should be coded to Goal 7110, Nonagency—Educational.
8681	Mitigation/Developer Fees. Report, in the general fund, only those fees collected by agreement between the school district and the developer that are not imposed as a condition for approving a residential development. Any fees that are collected as a condition to approving a development must be deposited in the Capital Facilities Fund (Fund 25).
8689	All Other Fees and Contracts. Record revenue received for all other fees and contract services from entities other than LEAs.
8690–8719	Other Local Revenue
8691	Plus: Miscellaneous Funds Non-Revenue Limit (50 Percent) Adjustment. Record the transfer of 50 percent of the amounts in objects 8081 and 8082 from Revenue Limit Sources to Other Local Revenue by debiting Object 8089 and crediting Object 8691. Objects 8089 and 8691 must net to zero.

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<u>Code</u>	<u>Definition</u>
8697	<p>Pass-Through Revenue from Local Sources. Record the receipts of those local pass-through grants in which the recipient LEA has administrative involvement. Refer to Procedure 750 for information regarding pass-through activities.</p> <p>The disbursements of these pass-through grants should be recorded using objects 7211, 7212, and 7213, as appropriate.</p>
8699	<p>All Other Local Revenue. Record all other local revenue, except funds defined as "miscellaneous funds" in <i>Education Code</i> Section 41604, received from entities other than LEAs. Examples of revenue recorded in this account are library fines, contributions, gifts, and reimbursement for practice teaching.</p>
8710	<p>Tuition. Record tuition payments received from the following sources:</p> <p>Tuition contracts for general or specific instructional services, including transportation for interdistrict attendance agreement (IDAA) pupils (<i>Education Code</i> sections 46600–46611). See Object 8677, <i>Interagency Services Between LEAs</i>, for revenue from contracts for services provided for another LEA's pupils.</p> <p>Payments from governing boards or authorities in other states for the total cost of educating elementary or high school students whose places of residence are in the other states (<i>Education Code</i> Section 48050). No California state aid is apportioned for such students.</p> <p>Revenues received for excess costs and/or deficits for providing services to other LEAs' pupils.</p> <p>All other tuition payments not identified above.</p>
8780-8799	<p>Interagency Transfers In</p>
8780	<p>Transfers from Sponsoring LEAs to Charter Schools in Lieu of Property Taxes (Obsolete as of 2007-08). Formerly used to record the transfer of local revenues from sponsoring LEAs to charter schools. Use Object 8096, <i>Transfers to Charter Schools in Lieu of Property Taxes</i>, beginning 2007-08.</p>
8781	<p>All Other Transfers from Districts or Charter Schools. Record transfers of resources other than apportionments or pass-through revenues from school districts or charter schools.</p>
8782	<p>All Other Transfers from County Offices. Record transfers of resources other than apportionments or pass-through revenues from county offices. An example is</p>

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<u>Code</u>	<u>Definition</u>
	the transfer of funding from a county office of education to a direct-service district for health services.
8783	All Other Transfers from JPAs. Record transfers of resources other than apportionments or pass-through revenues from JPAs.
8791	Transfers of Apportionments from Districts or Charter Schools. Record transfers of apportionments of special education or regional occupational centers/programs from school districts or charter schools.
8792	Transfers of Apportionments from County Offices. Record transfers of apportionments of special education or regional occupational centers/programs from county offices.
8793	Transfers of Apportionments from JPAs. Record transfers of apportionments of special education or regional occupational centers/programs from JPAs.
8799	Other Transfers In from All Others. Record transfers of resources from non-LEAs.
8900–8999	Other Financing Sources
8910–8929	Interfund Transfers In
8911	To Child Development Fund from General Fund. Record transfers of moneys from the general fund to support the activities in the child development fund (<i>Education Code</i> Section 41013). Use Object 7611 in the fund making the transfer.
8912	Between General Fund and Special Reserve Fund. Record transfers of moneys between the general fund and the special reserve fund (<i>Education Code</i> sections 42840–42843). Use Object 7612 in the fund making the transfer.
8913	To State School Building Fund/County School Facilities Fund from All Other Funds. Record transfers of any moneys of the district that are required to be expended for the project for which such apportionment was made. Use Object 7613 in the fund making the transfer.
8914	To General Fund from Bond Interest and Redemption Fund. Record transfers of moneys from the bond interest and redemption fund, after all principal and interest payments have been made, to the general fund or to the special reserve fund (<i>Education Code</i> sections 15234 and 15235). Use Object 7614 in the fund making the transfer.

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<u>Code</u>	<u>Definition</u>
8915	To Deferred Maintenance Fund from General, Special Reserve, and Building Funds. Record transfers of moneys from the general, special reserve, and/or building funds to the deferred maintenance fund to support state match requirements (<i>Education Code</i> sections 17582–17587). Use Object 7615 in the fund making the transfer.
8916	To Cafeteria Fund from General Fund. Record transfers of moneys from the general fund to the cafeteria fund. LEAs may record the transfer of Meals for Needy Pupils as an interfund transfer rather than as a revenue limit transfer. Use Object 7616 in the fund making the transfer.
8919	Other Authorized Interfund Transfers In. Record all other authorized transfers of moneys from another fund. Use Object 7619 in the fund making the transfer.
8930–8979	All Other Financing Sources
8931	Emergency Apportionments. Record the amount of emergency apportionments authorized under <i>Education Code</i> sections 41320–41322.
8951	Proceeds from Sale of Bonds. Record proceeds from the sale of bonds at par value. The amounts received from the sale of bonds must be deposited in the building fund of the LEA (<i>Education Code</i> Section 15146).
8953	Proceeds from Sale/Lease Purchase of Land and Buildings. Record revenue from the sale or lease-purchase of land and buildings. The funds may be used under the provisions of <i>Education Code</i> Section 17462.
8961	County School Building Aid. Record revenue received for payments required pursuant to School Building Aid laws (<i>Education Code</i> sections 16196, 16202, and 16204).
8965	Transfers from Funds of Lapsed/Reorganized LEAs. Record revenue received under <i>Education Code</i> sections 35560 and 35561. Also record revenue received from a defunct charter school or from a charter school whose authorizing LEA changes.
8971	Proceeds from Certificates of Participation. Record the proceeds received from the issuance of certificates of participation.
8972	Proceeds from Capital Leases. Record the proceeds that result from entering into a capital lease.

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<u>Code</u>	<u>Definition</u>
8973	Proceeds from Lease Revenue Bonds. Record the proceeds from the issuance of lease revenue bonds that are deposited to the general fund or to capital project funds (other than the special reserve fund).
8979	All Other Financing Sources. Record the proceeds from other financing sources not specified above. If long-term debt is issued at a premium, record the premium here. Use Object 8979 for charter school loans.
8980–8999	Contributions
8980	Contributions from Unrestricted Revenues. Record the amount of money that must be contributed from unrestricted resources in the general fund when the expenditures incurred for a given restricted resource exceed the amount available for expenditure. This account may also apply to contributions of unrestricted resources to other unrestricted resources. Also record in this account the LEA's contribution of matching funds (the cash match) if required by a special project. A contribution is recorded by debiting Object 8980 in Resource 0000, Unrestricted, and by crediting Object 8980 in the resource receiving the contribution. This account must net to zero at the fund level.
8990	Contributions from Restricted Revenues. Record contributions of restricted revenues to another resource, such as contributions to a School-Based Coordinated Program (SBCP) or a Schoolwide Program (SWP), or No Child Left Behind (NCLB) flexibility transfers. A contribution is recorded by debiting Object 8990 in the resource making the contribution and by crediting Object 8990 in the resource receiving the contribution. This account must net to zero at the fund level.
8995	Categorical Education Block Grant Transfers. Record transfers of categorical education block grant apportionments pursuant to <i>Education Code</i> Section 41500, enacted by AB 825. A maximum of 15 percent of these apportionments may be transferred to any other programs for which the school district or county office of education is eligible for state funding, including programs not in the block grants. The total amount of funding for a program to which funds are transferred may not exceed 120 percent of the amount of state funding originally allocated to the school district or county office for that program in a fiscal year. A transfer is recorded by debiting Object 8995 in the resource making the transfer and by crediting Object 8995 in the resource receiving the transfer. This account must net to zero at the fund level.

Transfers involving these apportionments other than those transfers specified in *Education Code* Section 41500, such as the transfer of School and Library

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<u>Code</u>	<u>Definition</u>
	Improvement Block Grant (Resource 7395) revenue into School Based Coordinated Programs (Resource 7250), should be recorded using Object 8990.
	Transfers among categorical programs pursuant to Section 12.40 of the annual Budget Act should be recorded using Object 8998.
8997	Transfers of Restricted Balances (Inactive as of 2004-05). Record the transfer of restricted account balances pursuant to enacted legislation authorizing such transfers. For example, this account was used in 2003-04 to record transfers of restricted account balances pursuant to AB 1754. AB 1754 authorized LEAs to use certain restricted account balances for general operating purposes to mitigate the effects of state budget reductions. Other transfers between or from restricted programs should be recorded in Object 8990 or Object 8998. This account must net to zero at the fund level.
8998	Categorical Flexibility Transfers per Budget Act Section 12.40. Record the reallocation of categorical revenue among categorical programs defined in Section 12.40 of the annual Budget Act (formerly referred to as Mega-Item Transfers and Flexibility Transfers). A transfer is recorded by debiting Object 8998 in the resource making the transfer and by crediting Object 8998 in the resource receiving the transfer. This account must net to zero at the fund level.
9000–9999	BALANCE SHEET
9100–9499	Assets
9110	Cash in County Treasury. Beginning cash balance, plus all moneys deposited in the county treasury less disbursements. Included are all amounts added or deducted at the county level.
9111	Fair Value Adjustment to Cash in County Treasury. The difference between the fair value and the reported amount of cash in county treasury.
9120	Cash in Bank(s). Indicated balances in separate bank accounts for adult education incidentals, scholarships and loans, school farm accounts, and cafeteria accounts (<i>Education Code</i> sections 35314, 52704, and 38093). This account also includes any money in a bank clearing account awaiting deposit in the county treasury (<i>Education Code</i> Section 41017).
9130	Revolving Cash Account. (1) A recording of the establishment and maintenance of a cash account for use of the chief accounting officer or other designated official of the LEA in accordance with <i>Education Code</i> sections 42800–42806, 42810, 42820, and 42821. This account is similar in use and control to accounts

Procedure 330 Object Classification

<u>Code</u>	<u>Definition</u>
	known as petty cash funds and includes petty cash funds. Once this account is established, it should be carried indefinitely in the general ledger and shown in all balance sheets and budgets until it is abolished. The amount recorded will vary only through increase or decrease in the total amount approved for the account. It should be noted that the revolving cash account is a reservation of cash within an already established fund and is not to be considered or accounted for as a separate fund or entity. (2) A sum of money, either in the form of currency or a special bank account, set aside for the purpose of making change or immediate payments of small amounts. The invoices for these payments are accumulated, and the account is reimbursed from the LEA's funds, thus maintaining the account at the predetermined amount. Checks drawn on a prepayment account may not be for more than \$1,000, including tax and freight (<i>Education Code</i> Section 42821).
9135	Cash with a Fiscal Agent/Trustee. Deposits with a fiscal agent, such as a third-party administrator for self-insurance. This account also includes the proceeds of certificates of participation deposited with a trustee and amounts in an escrow account.
9140	Cash Collections Awaiting Deposit. Money received by an LEA and not yet deposited in a bank account or the county treasury (<i>Education Code</i> Section 41001). This account is usually posted on June 30 for those material revenues in the LEA safe/vault.
9150	Investments. Investments authorized by the governing board of the LEA recorded at fair value (GASB Statement 31) (<i>Education Code</i> Section 41015).
9200	Accounts Receivable. Amounts due from private persons, firms, or corporations. Accounts receivable will be limited to auditable amounts (usually based on contractual agreements); to amounts billed but not received; and, within provision of law, to amounts that were earned by the close of the fiscal year and that might have been received and deposited in the county treasury by that date except for the lack of time for settlement.
9290	Due from Grantor Governments. This account is used to record amounts receivable from state and federal agencies. It represents amounts earned by or allocated to a school district from state sources or earned under a federal financial assistance program in excess of cash receipts during the fiscal year. This account is also used if the grantors are other governmental entities, including counties, cities, and other school districts.
9310	Due from Other Funds. Amounts due from other funds of the LEA.

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<u>Code</u>	<u>Definition</u>
9320	Stores. Amounts of materials, supplies, and possibly certain equipment kept in a central warehouse and subject to requisition and use.
9330	Prepaid Expenditures (Expenses). Payments made in advance of the receipt and use of services. Prepaid insurance premiums are illustrative. That portion of the premium paid in advance for coverage beyond the current fiscal year may be charged to Prepaid Expenditures. Adjustments to this account in the succeeding fiscal years apportion the premium over the period covered. In governmental fund accounting, expenditures for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods but may be accounted for as expenditures in periods of acquisition.
9340	Other Current Assets. Assets that are available or that can be made readily available to meet operating costs or to pay current liabilities.
9400–9499	Capital Assets. Accounts used in the proprietary or trust funds to present the assets of the LEA. These assets are of a permanent character and are intended to continue to be held or used.
9410	Land. A capital asset account reflecting the cost of land owned by the LEA.
9420	Land Improvements. A capital asset account reflecting the cost of permanent improvements, other than buildings, which add value to land, such as sidewalks, gutters, pavement, and fences.
9425	Accumulated Depreciation—Land Improvements. A contra-asset account used to report the accumulation of systematic and rational allocations of the estimated cost of using land improvements on a historical cost basis over the useful life of the improvement. The depreciation expense is reported in Object 6900, Depreciation Expense, in proprietary and fiduciary funds only.
9430	Buildings. A capital asset account reflecting the cost of permanent structures owned or held by the LEA.
9435	Accumulated Depreciation—Buildings. A contra-asset account used to report the accumulation of systematic and rational allocations of the estimated cost of using buildings on a historical cost basis over the useful life of the building. The depreciation expense is reported in Object 6900, Depreciation Expense, in proprietary and fiduciary funds only.

Procedure 330 Object Classification

<u>Code</u>	<u>Definition</u>
9440	Equipment. A capital asset account reflecting the cost of properties that do not lose their identity when removed from their location and are not changed materially or consumed immediately (e.g., within one year) by use. Equipment has relatively permanent value, and its purchase increases the total value of an LEA's physical properties. Examples include furniture, vehicles, machinery, motion-picture films, videotapes, furnishings that are not an integral part of the building or building system, and certain intangible assets, such as major software programs.
9445	Accumulated Depreciation—Equipment. A contra-asset account used to report the accumulation of systematic and rational allocations of the estimated cost of using equipment on a historical cost basis over the useful life of the equipment. The depreciation expense is reported in Object 6900, Depreciation Expense, in the proprietary and fiduciary funds only.
9450	Work in Progress. An asset account representing the value of partially completed work.
9500–9699	Liabilities
9500	Accounts Payable (Current Liabilities). Amounts due to private persons, firms, or corporations for services rendered and goods received on or before the close of the fiscal year. Do not include encumbrances represented by purchase orders or contracts, or portions thereof, for services or goods to be furnished after the close of the fiscal year. Include salaries earned but not paid until after June 30, amounts owed to other LEAs for tuition payments, that portion of construction contracts represented by work done by the close of the fiscal period, invoices for materials or equipment received prior to June 30, and so forth. Use Object 9620, Due to Student Groups/Other Agencies, for the liabilities of a trust or agency fund. <i>Note:</i> Range 9501–9589 is reserved for local use, such as for payroll tax accruals.
9501–9589	Accounts Payable—Locally Defined. These accounts are used at the option of LEAs to track current liabilities, such as payroll withholdings and deductions. When data are reported to CDE, these objects must be rolled up by the LEA to Object 9500.
9590	Due to Grantor Governments. This account is used to record amounts owed to state entities and federal agencies. The account represents cash received from state sources or under a federal financial assistance program that exceeds the amounts earned and which must be returned to the grantors. This account would also be used if the grantors are other governmental entities, including counties, cities, and other school districts.

Procedure 330 Object Classification

<u>Code</u>	<u>Definition</u>
9610	Due to Other Funds. Amounts due to other funds within the LEA.
9620	Due to Student Groups/Other Agencies. This account is used to record amounts owed to student groups or other agencies within agency funds. Amounts recorded as Due to Student Groups/Other Agencies equal the difference between amounts recorded as assets and any recorded liabilities of student groups/other agencies, such as accounts payable. The assets held should equal the net assets and liabilities of the agencies, and there is no ending fund balance. Do not use Object 9500, Accounts Payable, in a trust or agency fund. Other general receivables from students in the general fund should be coded to Object 9200, Accounts Receivable. There is no fund balance in an agency fund. Assets held equal the liability to the other agency.
9640	Current Loans. Short-term obligations representing amounts borrowed for short periods of time and usually evidenced by notes payable. Such loans may be unsecured or secured by specific revenues to be collected, such as tax-anticipation notes.
9650	Deferred Revenue. Revenue that has been received but is unearned as of June 30.
9660–9669	Long-Term Liabilities. An account set up to reflect long-term liabilities in the proprietary or trust funds (not used in governmental funds).
9661	General Obligation Bonds Payable. The liability account reflecting the outstanding balance of general obligation bonds.
9662	State School Building Loans Payable. A liability account reflecting the outstanding principal balance of State School Building Loans. State School Building Loans were granted in the past to facilitate school construction. These loans are no longer being offered under this program; however, some LEAs still have outstanding balances that are being repaid.
9664	Net OPEB Obligation. The cumulative difference, following the effective date of GASB Statement 45, between an LEA's annual postemployment benefits other than pensions (OPEB) cost (in relation to its Annual Required Contribution) and the LEA's actual contributions to its OPEB plan, including any net OPEB obligation (or asset) at transition. The Net OPEB Obligation is reported only in the LEA's accrual-basis financial statements.
9665	Compensated Absences Payable. A liability account reflecting accumulated unpaid benefits that are provided to employees. These benefits include vacation

Procedure 330 Object Classification

<u>Code</u>	<u>Definition</u>
	and sick leave and sabbatical leaves that are paid to employees upon termination or retirement. However, this liability account does not include sick-leave balances for which employees receive only additional service time for pension benefit purposes.
9666	Certificates of Participation (COPs) Payable. The liability account reflecting the outstanding principal balance of COPs.
9667	Capital Leases Payable. A liability account reflecting the noncurrent portion of the discounted present value of total future stipulated payments on lease agreements that are capitalized.
9668	Lease Revenue Bonds Payable. A liability account reflecting the outstanding balance of lease revenue bonds.
9669	Other General Long-Term Debt. A liability account reflecting other long-term liabilities such as the noncurrent portions of liabilities for termination benefits paid over time, unfunded pension obligations, and other similar items.
9700–9799	Fund Balance/Net Assets. Fund balance represents the difference between the assets and liabilities of a governmental fund. Net assets represents the difference between the assets and liabilities of a proprietary or fiduciary fund. In the following definitions, references to fund balance also apply to net assets.
9700–9759	Fund Balance, Reserved
9710–9720	Reserve for Nonexpendable Assets. An account set up to reflect the value of nonexpendable asset accounts. At the beginning of the fiscal year, this account is credited with the same amounts that are set up as debits to the previously described asset accounts.
9711	Reserve for Revolving Cash. The portion of fund balance reflecting the value of the revolving cash account.
9712	Reserve for Stores. The portion of fund balance reflecting the value of stores.
9713	Reserve for Prepaid Expenditures (Expenses). The portion of fund balance reflecting the value of prepaid expenditures/expenses.
9719	Reserve for All Others. The portion of fund balance reflecting the value not specified above. For example, this object is used for the legal reserve required for Certificates of Participation.

Procedure 330 Object Classification

<u>Code</u>	<u>Definition</u>
9720	Reserve for Encumbrances (Budgetary account). (This account is not reported to CDE.) An amount set aside to provide for encumbrances. Generally, encumbrances are closed at the end of the fiscal year, and new purchase orders or contracts are opened for the subsequent year. However, an LEA may disclose outstanding purchase orders or contracts that will be included in the budget either as a footnote to the financial statements or in the Reserve for Encumbrances.
9730	General Reserve. The amount set aside by the governing board to meet cash requirements in the succeeding fiscal year until adequate proceeds from the taxes levied or from the apportionment of state funds are available (<i>Education Code</i> Section 42124).
9740	Legally Restricted Balance. Segregation of a portion of a fund balance for legally restricted funds, such as unspent instructional material funds or unspent proceeds from Certificates of Participation.
9760–9799	Fund Balance, Unreserved
9770	Designated for Economic Uncertainties. The portion of the fund balance that has been designated (set aside) by the governing board to provide for emergencies or economic events, such as revenue shortfalls, that could not be anticipated.
9775	Designated for the Unrealized Gains of Investments and Cash in County Treasury. The portion of the fund balance attributable to an increase in the fair value of investments or cash in the county treasury, an unrealized gain that is not available for spending.
9780	Other Designations. The portion of the fund balance that has been set aside by the governing board for specific purposes.
9790	Undesignated/Unappropriated. This account represents the excess of the fund's assets over its liabilities and may include a budgetary element: the excess of estimated revenue (and estimated other financing sources) over appropriations (and estimated other financing uses).
9791	Beginning Fund Balance. This account represents the difference between the assets and liabilities of a fund at the beginning of the fiscal year. Audit adjustments and other restatements that correct the beginning fund balance are recorded using objects 9793 and 9795, as appropriate.
9793	Audit Adjustments. This account is used to record audit adjustments that correct the beginning fund balance.

Procedure 330 Object Classification

<u>Code</u>	<u>Definition</u>
9795	Other Restatements. This account is used to record material corrections of prior-year errors that restate the beginning fund balance.
9800–9839	Budgetary Accounts. (These accounts are not reported to CDE.) The following budgetary accounts are used by LEAs to record the budget. These accounts are not reported to CDE.
9810	Estimated Revenue. The budgetary account that shows all revenue estimated to be received or accrued during the fiscal year. This account is a control account in a fund's general ledger, and it must agree with the subsidiary ledger.
9815	Estimated Other Financing Sources. The budgetary account that shows all the other financial resources that are estimated to be received or accrued during the fiscal year. This account is optional; LEAs may use Object 9810 to record both budgeted revenue and other sources.
9820	Appropriations. Authorization granted by the governing board to make expenditures and to incur obligations for specific purposes and amounts within the fiscal year. This account is a control account in the general ledger, and it must agree with the subsidiary ledger.
9825	Estimated Other Financing Uses. The budgetary account that shows all of the other financial obligations that will be paid or will accrue during the fiscal year. This account is optional; LEAs may use Object 9820 to record both appropriations and estimated other uses.
9830	Encumbrances. Obligations in the form of purchase orders, contracts, salaries, or other commitments that are chargeable to an appropriation and for which part of the appropriation is reserved. Encumbrances are canceled when the obligation is paid or when the actual liability is set up. This control account represents the total amount of the appropriations that has been designated for expenditures for specified purposes. Details of encumbrances by classification or account are recorded in the same subsidiary appropriations ledger in which expenditures are recorded.
9840–9899	Control Accounts. (These accounts are not reported to CDE.)
9840	Revenue. The control account for all revenue that is received or accrued during the fiscal year.

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<u>Code</u>	<u>Definition</u>
9845	Other Financing Sources. The control account for other financing sources. This account is optional; LEAs may use Object 9840 as the control account for revenue and other financing sources.
9850	Expenditures. The control account for all expenditures that are paid or accrued during the fiscal year.
9855	Other Financing Uses. The control account for other financing uses. This account is optional; LEAs may use Object 9850 as the control account for expenditures and other financing uses.
9900–9979	Nonoperating Accounts. (These accounts are not reported to CDE.)
9910	Suspense Clearing. An account that carries charges or credits temporarily pending determination of the proper account or accounts to which they are to be posted and that may be used for posting of amounts not yet analyzed to decide whether they should be revenue, expenditure, or abatement. Charges that must be allocated or prorated may be posted in this account until such allocation or proration can be calculated. This account must balance to zero at the close of the fiscal year and should be reviewed monthly.

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The following are basic examples of entries for recording revenue, expenditure, and balance sheet transactions using the standardized account code structure (SACS). These examples illustrate how the SACS fields are combined to create valid account strings.

More detailed examples of the transactions for specific programs and activities can be found in numerous procedures throughout the manual.

Revenue Transactions

Revenues are classified by source and type in the object field. When revenues are for restricted uses or have reporting requirements, they are identified by the resource field with a specific resource number in the range 1000 through 9999; otherwise they are identified with Resource 0000, Unrestricted. When revenues are for federal projects that cross the LEA reporting fiscal year, they are also coded by the ending year of the project in the project year field.

Revenue Example 1

A school district receives unrestricted lottery funding. The revenue would be recorded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	1100	0	0000	0000	8560	000

- Fund 01 is the General Fund.
- Resource 1100 is Lottery: Unrestricted, which has a special reporting requirement.
- Project Year is not necessary in this example.
- Goal is generally not required for revenues.
- Function is not required for revenues.
- Object 8560 is State Lottery Revenue.
- School is not required.

Revenue Example 2

A school district receives After School Education and Safety (ASES) funding. The revenue would be recorded as follows:

Procedure 345 Illustrations Using the Account Code Structure

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6010	0	0000	0000	8590	000

- Fund 01 is the General Fund.
- Resource 6010 is ASES.
- Project Year is not necessary for this resource.
- Goal is generally not required for revenues.
- Function is not required for revenues.
- Object 8590 is All Other State Revenue.
- School is not required.

Revenue Example 3

A school district receives two federal IDEA Preschool Grants. One grant will end in September 2007, and the subsequent grant will begin in October 2007 and end in September 2008. For the 2007-08 fiscal year, the revenue would be recorded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	3315	7	5001	0000	8182	000
01	3315	8	5001	0000	8182	000

- Fund 01 is the General Fund.
- Resource 3315 is the federal Special Ed-IDEA Preschool Grant.
- Project Year is 7 for the first grant, which ends in September 2007 during the LEA fiscal year. Project Year is 8 for the second grant, which begins during the LEA fiscal year and will end in September 2008.
- Goal 5001 is Special Education—Unspecified. Goal is required for special education revenues.
- Function is not required for revenues.
- Object 8182 is Special Education—Discretionary Grants.
- School is not required.

Expenditure Transactions

Expenditures for instructional activities must be classified by goal. Expenditures for support activities may be classified by goal when there is supporting documentation. Otherwise, they are recorded in Goal 0000, Undistributed.

Procedure 345 Illustrations Using the Account Code Structure

Expenditure Example 1

Lottery funds are used to pay for upgrading the equipment in the computer lab. The expenditure would be recorded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	1100	0	1110	2420	4400	123

- Fund 01 is the General Fund.
- Resource 1100 is Lottery: Unrestricted.
- Project Year is not necessary in this example.
- Goal 1110 is Regular Education, K–12. The computer lab is used primarily by the regular K–8 students of the ABC Elementary School.
- Function 2420 is Instructional Library, Media, and Technology.
- Object 4400 is Noncapitalized Equipment.
- School 123 is the ABC Elementary School. Coding to the school field is not required; however, LEAs may wish to code expenditures for local information.

Expenditure Example 2

ASES funds are used to purchase instructional supplies for the after-school program operated at ABC Elementary School. The expenditure would be recorded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6010	0	1110	1000	4300	123

- Fund 01 is the General Fund.
- Resource 6010 is ASES.
- Project Year is not necessary for this resource.
- Goal 1110 is Regular Education, K–12. A goal is required with an instructional function.
- Function 1000 is Instruction.
- Object 4300 is Materials and Supplies.
- School 123 is the ABC Elementary School. Coding to the school field is not required; however, LEAs may wish to code expenditures for local information.

Procedure 345 Illustrations Using the Account Code Structure

Expenditure Example 3

IDEA preschool grant funds are used to hire teachers to work with preschoolers with special needs. The teachers are paid during fiscal year 2007-08 for periods that cover both the first and second grants. The expenditures would be recorded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	3315	7	5730	1190	1100	456
01	3315	8	5730	1190	1100	456

- Fund 01 is the General Fund.
- Resource 3315 is the federal Special Ed-IDEA Preschool Grant.
- Project Year is 7 for the first grant, which ends during the LEA 2007-08 fiscal year and would cover expenditures through September 2007. Project Year is 8 for the second grant, which begins in the LEA fiscal year and would cover expenditures from October 2007 to June 2008.
- Goal 5730 is Special Education, Preschool Students.
- Function 1190 is Special Education: Other Specialized Instructional Services.
- Object 1100 is Certificated Teachers' Salaries.
- School 456 is the XYZ Elementary School. Coding to the school field is not required; however, LEAs may wish to code expenditures for local information.

Balance Sheet Transactions

Balance sheet accounts (i.e., assets, liabilities, and fund balances) are classified in the object field. If the transactions are from restricted revenues, the balance sheet accounts are also coded to the resource field.

Balance Sheet Example 1

At year-end an invoice for materials purchased with unrestricted lottery funds has not been paid. The payable would be recorded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	1100	0	0000	0000	9500	000

Procedure 345 Illustrations Using the Account Code Structure

- Fund 01 is the General Fund.
- Resource 1100 is Lottery: Unrestricted.
- Project Year is not required for balance sheet transactions.
- Goal is not required for balance sheet transactions.
- Function is not required for balance sheet transactions.
- Object 9500 is Accounts Payable.
- School is not required.

Balance Sheet Example 2

ASES revenue received for the fiscal year exceeds ASES expenditures for the fiscal year. Deferral of ASES revenue would be recorded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6010	0	0000	0000	9650	000

- Fund 01 is the General Fund.
- Resource 6010 is ASES.
- Project Year is not necessary for this resource.
- Goal is not required for balance sheet transactions.
- Function is not required for balance sheet transactions.
- Object 9650 is Deferred Revenue.
- School is not required.

Balance Sheet Example 3

On June 30, 2007, the final payment has not yet been received from the granting agency for the remainder of the first IDEA preschool grant or for the beginning months of the second IDEA preschool grant. The two receivables would be recorded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	3315	7	0000	0000	9290	000
01	3315	8	0000	0000	9290	000

- Fund 01 is the General Fund.
- Resource 3315 is the federal Special Ed-IDEA Preschool Grant.
- Project Year separates the receivables for the two grants. However, its use is optional in balance sheet accounts.

Procedure 345 Illustrations Using the Account Code Structure

- Goal is not required for balance sheet transactions.
- Function is not required for balance sheet transactions.
- Object 9290 is Due from Grantor Governments.
- School is not required.

Procedure 420 Prepaid Expenditures

LEAs often disburse cash for services or materials, a portion or all of which actually applies to a future fiscal period. The most common disbursement of this type is for insurance; the full premium is paid immediately, but the coverage extends into future years. In governmental accounting, expenditures for insurance and similar services extending over more than one accounting period may be accounted for as expenditures of the period of acquisition or allocated to subsequent accounting periods.

Assume, for example, that an LEA purchases a five-year insurance policy on July 1, 2008, for \$5,000. If the LEA treats the cost of this insurance policy as an expenditure of the period of acquisition, the following entry will be made:

General Ledger

<u>Date</u>	<u>Object Title</u>	<u>Object Code</u>	<u>Debit</u>	<u>Credit</u>
7-1-08	Insurance	5400	\$5,000.00	
	Cash in County Treasury	9110		\$5,000.00

To record the payment for a five-year insurance policy.

If the LEA treats the cost of this insurance policy as a prepaid expenditure and allocates a portion of the cost to subsequent years, the following entry will be made in the year of acquisition:

<u>Date</u>	<u>Object Title</u>	<u>Object Code</u>	<u>Debit</u>	<u>Credit</u>
7-1-08	Insurance	5400	\$1,000.00	
	Prepaid Expenditures	9330	4,000.00	
	Cash in County Treasury	9110		\$5,000.00

To record the payment for a five-year insurance policy, one year of which applies to the current year.

At the end of the year, when the books are closed, the Prepaid Expenditures asset account is included with other ending balances and becomes a part of the beginning balance for the next year.

After the books are opened for the next year, it is necessary to determine whether all or a portion of Prepaid Expenditures applies to the current year. This amount must be charged to the appropriate expenditure account of the new year, leaving as a remainder in the asset account any amounts not yet applicable. These, in turn, must be carried over as Prepaid Expenditures to the next year. A good way to determine the amount to charge to a year other than the year in which the original cash

Procedure 420 Prepaid Expenditures

disbursement was made is to prepare a schedule of amounts and periods applicable at the time when the original cash disbursement is made, as shown in the following example:

Schedule of Prepaid Expenditures						
Policy number	Carrier	Overall total	Analysis of total applying to each succeeding year			
			First year	Second year	Third year	Fourth year
		\$4,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00

This schedule is retained for reference at the time of a future year's charge-off to ensure that the correct amounts are charged to each succeeding year in which a benefit is received. The schedule would be updated at the beginning of each year by reducing the control total by the amount of the first year succeeding, which is charged to expenditure, and by moving each figure in the next several columns one column to the left.

Charging off the portion applicable to a new year at the beginning of that year requires that a journal entry be made, with the debit charged to the appropriate expenditure account and the credit applied to Prepaid Expenditures. This entry should be one of the first entries made.

Another common example of prepaid expenditures is the payment of a fee for a teacher to attend a class that will be held during the next fiscal year. If the fee is paid in May of one year to reserve a place at a conference that will be held in the subsequent year, the charge is made to a prepaid account in the first year, to be expensed in the following year when the teacher attends the conference.

This procedure will create a timing problem if the prepayment is recorded in a categorical program subject to deferred revenues. A prepaid expenditure requires a reserve to the fund balance. Because there is not a fund balance for this type of categorical program, the reserve would generate a negative undesignated fund balance. The prepayment should therefore be recorded in an unrestricted resource and later expended against the categorical program at the time the conference is attended.

A prepaid reservation fee for a summer class to be held August 30, 2008, would appear as follows:

Procedure 420 Prepaid Expenditures

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
5-01-08	Prepaid Expenditures	01-0000-0-0000-0000-9330	\$450.00	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$450.00
To record payment of August registration for college training session.				

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
8-30-08	Cash in County Treasury	01-0000-0-0000-0000-9110	\$450.00	
	Prepaid Expenditures	01-0000-0-0000-0000-9330		\$450.00
	Travel and Conference	01-3170-0-1110-1000-5200	\$450.00	
	Cash in County Treasury	01-3170-0-0000-0000-9110		\$450.00
To charge the prepaid conference expenditure to the NCLB Comprehensive School Reform program.				

Procedure 420 Prepaid Expenditures

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Procedure 425 Fair Value: Accounting and Reporting for Certain Investments

Governmental Accounting Standards Board (GASB) Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, establishes accounting and reporting standards for certain investments held by governmental entities, including school districts and county offices of education.

GASB Statement 31 requires school districts and county offices to report their investments at fair value on the balance sheet. This requirement is similar to the one for businesses under Financial Accounting Standards Board (FASB) Statement 115, *Accounting for Certain Investments in Debt and Equity Securities*, and to the one for not-for-profit organizations under FASB Statement 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*.

LEA investments affected by this statement are:

- Participating interest-earning investment contracts
- External investment pools, including cash with county treasurer
- Open-end mutual funds
- Debt securities
- Equity securities, option contracts, stock warrants, and stock rights

The provisions in GASB Statement 31 apply only to investments that are held primarily for the purpose of income or profit. Most school districts and county offices deposit their receipts and collections of moneys with their county treasurer because they are required to by *Education Code* Section 41001, not "primarily for the purpose of income or profit." The LEA's cash is nonetheless in external investment pools, however, because most of the county treasurers in California sponsor external investment pools. An external investment pool commingles (pools) the moneys of more than one entity and invests, on the participants' behalf, in an investment portfolio. Because GASB Statement 31 applies to external investment pools, LEAs should report their cash in the county treasury at fair value on the balance sheet.

GASB Statement 31 provides certain exceptions to the general rule requiring that investments be reported at fair value. These exceptions include:

- Investments with a remaining maturity of one year or less at the time of purchase

Procedure 425 Fair Value: Accounting and Reporting for Certain Investments

- Nonparticipating investment contracts, such as nonnegotiable certificates of deposit
- Investments in 2.a.7-like pools, which are external investment pools that adopt policies similar to those of private companies that operate under the Securities and Exchange Commission's Rule 2.a.7 of the Investment Company Act of 1940. They invest only in short-term securities and are required to sell securities whose market values deviate more than a set percentage from amortized costs.

Determining Fair Value

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value is determined from the published market price in newspapers or trade journals and quotes from recognized stock exchanges or over-the-counter markets. For investments without a quoted market price, the fair value may be determined by using the market price of similar instruments, discounted cash flow, or any other valuation technique that provides the best estimates. The fair value of investments in external pools (i.e., cash in the county treasury) is based on the fair value of the pools' underlying portfolio. LEAs should obtain this information from the county treasurer.

Recognition and Reporting of Investment Income

All investment income, including changes in the fair value of investments, should be recognized as revenue on the operating statement. The change in fair value of investments should be captioned "net increase (decrease) in the fair value of investments." Realized gains and losses should not be reported separately from unrealized gains and losses except in the notes to the financial statements.

There are two revenue object accounts for reporting investment income:

Object 8660, Interest
Object 8662, Net Increase (Decrease) in the Fair Value of
Investments

All investment income other than changes in the fair value of investments should be reported in Object 8660. The change in the fair value of investments, which includes realized and unrealized gains and losses, should be reported in Object 8662.

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The change in the fair value of investments is defined as the ending fair value, plus proceeds from investments maturing or sold during the year, less investment purchases made during the year, less the beginning fair value. The following examples illustrate how to calculate the changes in the fair value for cash in the county treasury and the accompanying accounting entries. The examples cover two fiscal years.

Note that Object 9110, although titled Cash in County Treasury, really represents the book value of the LEA's share of an external investment fund. However, for most purposes, Object 9110 is administered as a cash account. To avoid making non-cash adjusting entries to this "cash" account, entries for unrealized gains or losses on the value of cash with the county treasurer are made to Object 9111, Fair Value Adjustment to Cash in County Treasury.

Fiscal Year 2007-08

Assume that on July 1, 2007, the school district had \$100,000 cash in the county treasury with a fair value of \$105,000. During the fiscal year the district had deposits of \$900,000 and disbursements of \$925,000. On June 30, 2008, the district has \$75,000 cash in the county treasury with a fair value of \$78,000.

The change in fair value is calculated as follows:

Fair Value, ending 6-30-08	\$78,000
Add: Disbursements (comparable to proceeds of investments sold)	925,000
Less: Receipts (comparable to costs of investments purchased)	(900,000)
Less: Fair Value, beginning 7-1-07	(105,000)
Net increase (decrease) in fair value for fiscal year 2007-08	\$ (2,000)

Although the fair value of the cash in the county treasury at the end of the fiscal year is \$3,000 higher than the actual cash balance (\$78,000 minus \$75,000), the change in fair value during the year is a decrease of \$2,000. The reason is that the fair value of the cash in the county treasury at the beginning of the fiscal year was \$5,000 higher than the actual cash balance (\$105,000 minus \$100,000), and the \$5,000 difference would already have been recognized by the end of the prior year.

The entry is as follows:

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<u>Date</u>	<u>Object Title</u>	<u>Object Code</u>	<u>Debit</u>	<u>Credit</u>
6-30-08	Net Increase (Decrease) in the Fair Value of Investments	8662	\$2,000	
	Fair Value Adjustment to Cash in County Treasury	9111		\$2,000

To report the ending cash balance at fair value and the current year decrease in the fair value of investments.

Fiscal Year 2008-09

Assume that during fiscal year 2008-09, the district had deposits of \$1,000,000 and disbursements of \$985,000. At June 30, 2009, the district has \$90,000 cash in the county treasury with a fair value of \$94,000.

The change in fair value is calculated as follows:

Fair Value, ending 6-30-09	\$94,000
Add: Disbursements (comparable to proceeds of investments sold)	985,000
Less: Receipts (comparable to costs of investments purchased)	(1,000,000)
Less: Fair Value, beginning 7-1-08	(78,000)
Net increase (decrease) in fair value for fiscal year 2008-09	\$1,000

Although the fair value of the cash in the county treasury at the end of the fiscal year is \$4,000 higher than the actual cash balance (\$94,000 minus \$90,000), the change in fair value during the year is an increase of \$1,000. The other \$3,000 difference between the fair value of cash and the actual cash balance was already recognized at the end of the prior fiscal year.

The entry is as follows:

<u>Date</u>	<u>Object Title</u>	<u>Object Code</u>	<u>Debit</u>	<u>Credit</u>
6-30-09	Fair Value Adjustment to Cash in County Treasury	9111	\$1,000	
	Net Increase (Decrease) in the Fair Value of Investments	8662		\$1,000

To report the ending cash balance at fair value and the current year increase in the fair value of investments.

To achieve an understanding of the cumulate effect of the preceding entries and those following, it is helpful to consider the entries from the perspective of the account for Object 9111, a permanent account.

Following is a recap of the changes in Object 9111:

Procedure 425 Fair Value: Accounting and Reporting for Certain Investments

Object Account 9111, Fair Value Adjustment to Cash in County Treasury

Ending Balance 6/30/07:	\$5,000	(\$105,000 Fair Value vs. \$100,000 "Cash" in County Treasury)
2007-08 Change in Fair Value:	\$(2,000)	
Ending Balance 6/30/08:	\$3,000	(\$78,000 Fair Value vs. \$75,000 "Cash" in County Treasury)
2008-09 Change in Fair Value:	\$1,000	
Ending Balance 6/30/09:	\$4,000	(\$94,000 Fair Value vs. \$90,000 "Cash" in County Treasury)

Alternative Method for Adjusting Fair Value

As an alternative, LEAs may choose to reverse their prior year fair value adjustments for cash in the county treasury at the beginning of each fiscal year. If the LEA chooses to reverse the prior year adjustments, the entries for 2008-09 would be as follows:

<u>Date</u>	<u>Object Title</u>	<u>Object Code</u>	<u>Debit</u>	<u>Credit</u>
7-1-08	Net Increase (Decrease) in the Fair Value of Investments	8662	\$3,000	
	Fair Value Adjustment to Cash in County Treasury	9111		\$3,000
To reverse the 6-30-08 fair value adjustment to cash in country treasury.				

<u>Date</u>	<u>Object Title</u>	<u>Object Code</u>	<u>Debit</u>	<u>Credit</u>
6-30-09	Fair Value Adjustment to Cash in County Treasury	9111	\$4,000	
	Net Increase (Decrease) in the Fair Value of Investments	8662		\$4,000
To report the ending cash balance at fair value and the current year increase in the fair value of investments.				

The effect on the account balances is the same by either method.

Designation of Fund Balance for Net Unrealized Gains

The LEA may designate that portion of the fund balance attributable to the fair value changes for net unrealized gains to make clear that it is not available for spending. By designating the fund balance, the LEA's management is indicating its intent not to liquidate investments to realize reported gains. However, LEAs should not designate a portion of the fund balance for net unrealized losses because they cannot plan to spend negative balances.

Procedure 425 Fair Value: Accounting and Reporting for Certain Investments

The designation of fund balance should be reported in Object 9775, Designated for the Unrealized Gains of Investments and Cash in County Treasury.

Materiality of Adjustments to Fair Value

Generally accepted accounting principles (GAAP) require that LEAs report their cash in the county treasury at fair value. However, like all other GASB statements, GASB Statement 31 states that it does not apply to nonmaterial items. For many LEAs, the difference between the fair value and the book value of their cash in the county treasury may not be material.

If an LEA chooses not to record the adjustment necessary to report its cash with the county treasurer at fair value, the LEA's independent auditor must determine whether the omission is material enough to the financial statements to require an adjustment and whether the LEA's departure from GAAP is significant enough to impact the auditor's opinion on the financial statements.

In addition to an identified fund, resource, and object, which all transactions must include, expenditure transactions must also include a specific function to indicate the type of activity being performed (e.g., instruction, counseling, general administration, maintenance). Expenditures in the instruction, ancillary, and community service functions must also include a specific goal to indicate the instructional setting or group of students receiving the services.

While expenditures are often charged directly to a program (fund, resource, goal, and function) at the time of the initial transaction, there are also instances where costs are subsequently transferred from one area to another using Objects 5700–5799, Transfers of Direct Costs, or Objects 7300–7399, Transfers of Indirect Costs.

Direct-Charged Costs

Example 1: Expenditures Direct-Charged to a Program

Salary is paid for an adult education math teacher at a high school. The salary is coded as follows:

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	11	3905	0	4110	1000	1100	456
Cr	11	3905	0	0000	0000	9110	000

- Fund 11 is the Adult Education Fund.
- Resource 3905 is Adult Basic Education & ESL.
- Project Year is not applicable in this example.
- Goal 4110 is Regular Education, Adult; goal is not required for balance sheet accounts.
- Function 1000 is Instruction; function is not required for balance sheet accounts.
- Object 1100 is Certificated Teachers' Salaries, and Object 9110 is Cash in County Treasury.
- School 456 is Sample High School. Coding to the school field is not required; however, LEAs may wish to code expenditures to this level of detail for local information.

Procedure 615 Expenditures—Coding Examples

Example 2: Reclassification of Expenditures

An LEA may initially charge expenditures to a program and then later determine that the expenditures should have been charged elsewhere, such as when expenditures were erroneously charged or when a different decision is made based on subsequent information. The expenditures should be reclassified on a line-by-line basis.

- (a) Teacher salaries and benefits are initially charged to the regular education program:

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	0000	0	1110	1000	1100	123
Dr	01	0000	0	1110	1000	3101	123
Dr	01	0000	0	1110	1000	3401	123
Cr	01	0000	0	0000	0000	9110	000

- (b) A subsequent determination is made that the costs should have been charged to the Title I program. The reclassification to the Title I program is done on a line-by-line basis:

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	3010	0	1110	1000	1100	123
Dr	01	3010	0	1110	1000	3101	123
Dr	01	3010	0	1110	1000	3401	123
Cr	01	3010	0	0000	0000	9110	000
Dr	01	0000	0	0000	0000	9110	000
Cr	01	0000	0	1110	1000	1100	123
Cr	01	0000	0	1110	1000	3101	123
Cr	01	0000	0	1110	1000	3401	123

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted, and Resource 3010 is NCLB: Title I Basic Grants Low-Income and Neglected.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, K-12, and Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 1000 is Instruction; function is not required for balance sheet accounts.
- Object 1100 is Certificated Teachers' Salaries; Object 3101 is State Teachers' Retirement System, certificated positions; Object 3401 is Health & Welfare Benefits, certificated positions; and Object 9110 is Cash in County Treasury.

Procedure 615 Expenditures—Coding Examples

- School 123 is Sample Elementary School. Coding to the school field is not required; however, LEAs may wish to code expenditures to this level of detail for local information.

Transfers of Direct Costs

Certain direct costs may be pooled in an unrestricted resource and the undistributed goal for later transfer to specific programs. There are also instances where costs are initially accumulated in one function and subsequently transferred to another function. The basis for these transfers will vary but may include a per-unit amount, a work order, or a fee structure.

Direct cost transfers are done using Object 5710, Transfers of Direct Costs, or Object 5750, Transfers of Direct Costs – Interfund.

Example 1: Transfer of Direct Costs between Resources Based on a Work Order

A gardener is responsible for maintaining the yards at multiple sites in the district. The bulk of the work will be performed at high school sites but occasionally some landscaping work will be done at the adult education centers. The district charges the initial expenditures to unrestricted general fund revenues and then later transfers costs to the adult education fund based on approved work orders documenting the time and materials costs.

- (a) The gardener's salary, benefits, and supplies are initially recorded as unrestricted in the general fund:

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	0000	0	0000	8100	2200	000
Dr	01	0000	0	0000	8100	3202	000
Dr	01	0000	0	0000	8100	3402	000
Dr	01	0000	0	0000	8100	4300	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed; goal is not required in balance sheet accounts.

Procedure 615 Expenditures—Coding Examples

- Function 8100 is Plant Maintenance and Operations; function is not required for balance sheet accounts.
 - Object 2200 is Classified Support Salaries; Object 3202 is Public Employees' Retirement System, classified positions; Object 3402 is Health and Welfare Benefits, classified positions; Object 4300 is Materials and Supplies; and Object 9110 is Cash in County Treasury.
 - School is not required.
- (b) Work orders support the transfer of landscaping costs from the general fund to the adult education fund. Note that this transfer shifts costs between resources and goals, but the nature of the activity (plant maintenance and operations) remains the same so the function does not change when the costs are transferred.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	0000	0	0000	0000	9310	000
Cr	01	0000	0	0000	8100	5750	000
Dr	11	6390	0	4110	8100	5750	000
Cr	11	6390	0	0000	0000	9610	000

- Fund 01 is the General Fund, and Fund 11 is the Adult Education Fund.
- Resource 0000 is Unrestricted, and Resource 6390 is Adult Education Apportionment.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed; Goal 4110 is Regular Education, Adult; a goal is not required for balance sheet accounts.
- Function 8100 is Plant Maintenance and Operations; a function is not required for balance sheet accounts.
- Object 9310 is Due from Other Funds; Object 5750 is Transfers of Direct Costs—Interfund; and Object 9610 is Due to Other Funds.
- School is not required.

Example 2: Transfer of Direct Costs between Functions Based on a Work Order

An LEA needs a moveable storage cabinet for one its classrooms. Rather than purchasing it from an outside source, the LEA decides to utilize its maintenance staff to build the cabinet. The salaries of the maintenance staff and the costs of the materials are initially charged to the maintenance department.

Procedure 615 Expenditures—Coding Examples

- (a) Record the payment of maintenance department salaries, benefits, and materials expenditures:

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	0000	0	0000	8100	2200	000
Dr	01	0000	0	0000	8100	3202	000
Dr	01	0000	0	0000	8100	3402	000
Dr	01	0000	0	0000	8100	4300	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 8100 is Plant Maintenance and Operations. Function is not required for balance sheet accounts.
- Object 2200 is Classified Support Salaries; Object 3202 is Public Employees' Retirement System, classified positions; Object 3402 is Health and Welfare Benefits, classified positions; Object 4300 is Materials and Supplies; and Object 9110 is Cash in County Treasury.
- School is not required.

The costs should be transferred to the function and goal codes that would have been used if the product or service had initially been charged directly. In this example, although maintenance staff built the storage cabinet, the cost should ultimately be charged as an instructional cost, as it would have been if the LEA had simply bought the cabinet from a vendor.

- (b) Based on a work order for the storage cabinet that shows time and materials, the accumulated costs are transferred from the maintenance department to the benefiting instructional goal and function:

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	0000	0	1110	1000	5710	000
Cr	01	0000	0	0000	8100	5710	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed, and Goal 1110 is Regular Education, K-12.

Procedure 615 Expenditures—Coding Examples

- Function 1000 is Instruction, and Function 8100 is Plant Maintenance and Operations.
- Object 5710 is Transfers of Direct Costs.
- School is not required.

Example 3: Transfer of Direct Costs between Functions Based on a Per-Unit Basis

LEAs sometimes collect costs in a "cost pool" and then transfer those costs to benefiting programs on the basis of supporting documentation. For example, the costs of a centralized copy center may be accumulated in a cost pool and then be transferred out as a direct cost to benefiting programs. The transfer from the cost pool to a benefiting program usually involves a change in function because the nature of the activity changes from the function where the costs were collected to the function of the activity that utilized the service.

- (a) Initially, all costs of the copy center (salaries, benefits, supplies, services, capital outlay) are charged to Function 7550, Printing, Publishing, and Duplicating, and Resource 0000, Unrestricted. This example shows the charging of salaries and supplies:

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	0000	0	0000	7550	2400	000
Dr	01	0000	0	0000	7550	4300	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
 - Resource 0000 is Unrestricted.
 - Project Year is not applicable in this example.
 - Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
 - Function 7550 is Printing, Publishing, and Duplicating. Function is not required for balance sheet accounts.
 - Object 2400 is Clerical, Technical, and Office Staff Salaries; Object 4300 is Materials and Supplies; and Object 9110 is Cash in County Treasury.
 - School is not required.
- (b) Photocopies are made for a teacher in the GATE program. Based on a per-copy amount, the GATE program is charged for the photocopies. Note that this transfer shifts costs not only between resources and goals, but also between functions, because the costs

Procedure 615 Expenditures—Coding Examples

are moved from the general cost pool (district-wide printing) to the benefiting activity (instruction).

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	7140	0	1110	1000	5710	000
Cr	01	7140	0	0000	0000	9110	000
Dr	01	0000	0	0000	0000	9110	000
Cr	01	0000	0	0000	7550	5710	000

- Fund 01 is the General Fund.
- Resource 7140 is GATE, and Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, K–12, and Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 7550 is Printing, Publishing, and Duplicating, and Function 1000 is Instruction. Function is not required for balance sheet accounts.
- Object 5710 is Transfers of Direct Costs, and Object 9110 is Cash in County Treasury.
- School is not required.

Example 4: Transfer of Administrative Costs on a Basis Other Than the Indirect Cost Rate

Costs to calculate and collect developer's fees are incurred in the general fund in Function 7200, Other General Administration. These costs, not to exceed 3 percent of the fees collected during the period (*Education Code* Section 17620[a][1][c][5]), may be transferred to Fund 25, Capital Facilities Fund.

The initial costs were charged to an indirect cost function (Function 7200), but because these administrative charges are being transferred on a basis other than the indirect cost rate, the transfer is a transfer of direct costs rather than a transfer of indirect costs. Note that this type of transfer can possibly shift costs between funds, resources, and goals, but the nature of the activity (administration) remains the same, so the function does not change.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	0000	0	0000	0000	9110	000
Cr	01	0000	0	0000	7200	5750	000
Dr	25	0000	0	0000	7200	5750	000
Cr	25	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund, and Fund 25 is the Capital Facilities Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 7200 is Other General Administration. Function is not required for balance sheet accounts.
- Object 5750 is Transfers of Direct Costs—Interfund, and Object 9110 is Cash in County Treasury.
- School is not required.

Transfers of Indirect Costs

Indirect costs consist of agencywide business and administrative costs such as accounting, budgeting, personnel, purchasing, and centralized data processing. The standardized method for charging indirect costs to programs is the indirect cost rate (see Procedure 915).

A transfer of indirect costs generally shifts costs between resources (and possibly between funds and goals), but the nature of the activity (indirect costs) remains the same, so the function does not change.

Record indirect cost transfers using Object 7310, Transfers of Indirect Costs, or Object 7350, Transfers of Indirect Costs—Interfund, with Function 7210, Indirect Cost Transfers.

Example 1: Indirect Costs are Charged to State and Federal Programs

Costs of general administration (salaries, benefits, supplies, services, operating expenditures) are accumulated throughout the year in Function 7200, Other General Administration, and Function 7700, Centralized Data Processing.

At the end of the year, the LEA charges its various programs for their share of indirect costs based on the LEA's approved indirect cost rate. Note that this transfer shifts costs between resources and goals, but as with all indirect cost transfers, Function 7210 is used for both the debit and credit entries.

Procedure 615 Expenditures—Coding Examples

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	3010	0	1110	7210	7310	000
Cr	01	3010	0	0000	0000	9110	000
Dr	01	3310	0	5001	7210	7310	000
Cr	01	3310	0	0000	0000	9110	000
Dr	01	6670	0	3550	7210	7310	000
Cr	01	6670	0	0000	0000	9110	000
Dr	01	0000	0	0000	0000	9110	000
Cr	01	0000	0	0000	7210	7310	000

- Fund 01 is the General Fund.
- Resource 3010 is NCLB: Title I Basic Grants Low-Income and Neglected; Resource 3310 is Special Ed: IDEA Basic Local Assistance; Resource 6670 is Tobacco-Use Prevention Education: Grades Nine through Twelve; and Resource 0000 is Unrestricted.
- Project Year is not required in this example.
- Goal 1110 is Regular Education, K–12; Goal 5001 is Special Education—Unspecified; Goal 3550 is Community Day Schools; and Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 7210 is Indirect Cost Transfers.
- Object 7310 is Transfers of Indirect Costs, and Object 9110 is Cash in County Treasury.
- School is not required.

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Procedure 630 Technology—Coding Examples

The following examples are offered to illustrate the coding of expenditures for computer hardware, software, and other technological components.

For information on equipment inventory requirements and capitalization thresholds, see Procedure 405, "Accounting for Inventories," and Procedure 770, "Distinguishing Between Supplies and Equipment."

Example 1: Purchase of Software

- (a) In this example, the software is an integral part of a core curriculum adopted by the State Board of Education and is a part of the approved list of instructional materials.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	7156	0	1110	1000	4100	000

- Fund 01 is the General Fund.
- Resource 7156 is Instructional Materials Realignment, IMFRP.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, Grades K–12.
- Function 1000 is Instruction.
- Object 4100 is Approved Textbooks and Core Curricula Materials.
- School is not required.

- (b) Instructional software is purchased for use as a reference tool for students in the classroom.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	1100	0	1110	1000	4200	000

- Fund 01 is the General Fund.
- Resource 1100 is Lottery: Unrestricted.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, Grades K–12.
- Function 1000 is Instruction.
- Object 4200 is Books and Other Reference Materials.
- School is not required.

Procedure 630 Technology—Coding Examples

(c) Computer games are purchased for use in the classroom during rainy day recesses.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	0000	0	1110	1000	4300	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, Grades K–12.
- Function 1000 is Instruction.
- Object 4300 is Materials and Supplies.
- School is not required.

(d) The district's data processing department purchases a new financial accounting software system. This is a major system that handles financial data, personnel data, student attendance, and student grades. The contract includes four costs: a software purchase price of \$15,000, a software maintenance agreement of \$10,000, a one-time research and development cost of \$5,000, and one-time training for \$3,000.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>	<u>Amount</u>
01	0000	0	0000	7700	6400	000	\$33,000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7700 is Centralized Data Processing.
- Object 6400 is Equipment.
- School is not required.

In this example, the initial cost of the software is capitalized; often, a purchase contract does not specify the price for each of these components. The cost includes the research and development fee and the software maintenance agreement, following the capitalization rules that include all costs of acquisition and installation in the cost of the asset. If an annual software maintenance fee is paid each year, the subsequent cost should be coded to Object 5800, Professional/Consulting Services and Operating Expenditures. Additional training would also be coded to Object 5800.

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- (e) The district's business office purchases an off-the-shelf spreadsheet program for use by staff members. Their personal computers are on a network, and the software cost includes an original license fee for multiple users. There is an annual software maintenance agreement included with this program to provide users with help. The total cost of the contract is \$18,000.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>	<u>Amount</u>
01	0000	0	0000	7200	6400	000	\$18,000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7200 is Other General Administration.
- Object 6400 is Equipment.
- School is not required.

A purchase is reported as "equipment" and capitalized if it has a life of over one year and if the cost exceeds the LEA's capitalization threshold.

- (f) The district's business office purchases an off-the-shelf spreadsheet program for use by the accountant on a stand-alone personal computer. An annual software maintenance agreement included with this program provides users with help. The total cost is \$350.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>	<u>Amount</u>
01	0000	0	0000	7200	4300	000	\$350

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7200 is Other General Administration.
- Object 4300 is Materials and Supplies.
- School is not required.

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During the following year, the software vendor offers an upgrade of the software.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>Amount</u>
01	0000	0	0000	7200	4300	\$225

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7200 is Other General Administration.
- Object 4300 is Materials and Supplies.
- School is not required.

A software upgrade is considered a new purchase of materials.

In all of these examples, the initial cost of the software includes the license fee and maintenance agreement. If, during subsequent years, annual software license or maintenance fees were incurred, they would be coded to Object 5800, Professional/Consulting Services and Operating Expenditures.

Example 2: Purchase of Hardware

- (a) The data processing department purchases a computer system that includes hardware and some software packages for the operating system.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>	<u>Amount</u>
01	0000	0	0000	7700	6400	000	\$6,750

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7700 is Centralized Data Processing.
- Object 6400 is Equipment.
- School is not required.

In this example the entire package has been capitalized; the operating software is considered part of the cost of getting the hardware installed and functioning. Additional software added later would be coded either to

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Object 4300, Materials and Supplies, or Object 6400, Equipment, depending on the district's capitalization policy.

Generally, software is a separate and independent item; it is not a part of hardware. A purchase of a software license enables the user to move the software from one piece of equipment to another, and thus the software exists independently of the equipment. Therefore, if hardware and software were purchased at the same time, and if the costs could be distinguished, two items would be entered under Object 6400, Equipment: the cost of the hardware and the cost of the software.

- (b) The school nurse buys a personal computer for his desk, with some software. The cost includes (1) the hardware (with operating software) for \$5,500, which includes a maintenance agreement; (2) additional software designed for school nurse applications for \$1,500; (3) a license fee of \$500 for that software; and (4) an annual software maintenance agreement for \$350. The district's capitalization threshold is \$5,000.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>	<u>Amount</u>
01	0000	0	0000	3140	6400	000	\$5,500
01	0000	0	0000	3140	4300	000	\$2,350

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 3140 is Health Services.
- Object 4300 is Materials and Supplies, and Object 6400 is Equipment.
- School is not required.

The software for school nurses is not a part of the hardware system and may be considered a supply, Object 4300, because of its relatively short useful life, low vulnerability to theft, and difficulty in tagging. The license fee and fee for the first year of software maintenance may be part of the initial cost of the nursing software and therefore may be categorized as a single cost. If either fee is separate from the price of the software and/or is optional in the purchase contract, then the fees would be coded to Object 5800, Professional/Consulting Services and Operating Expenditures. In the following year, any upgrade of the software would be coded to Object 4300, and a renewal of the software license fee or of the software maintenance agreement would be coded to Object 5800.

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Example 3: Installation and Maintenance of Technology Systems

- (a) XYZ District is ordering a complete workover to wire each classroom for the Internet and other technological advances. False floors with wires in conduits are added to the buildings. Underground wiring has also been installed in the classrooms.

Underground wiring up to a building is a land improvement cost; wiring inside the building is a building cost.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	9010	0	0000	8500	6170	000
01	9010	0	0000	8500	6200	000

- Fund 01 is the General Fund.
- Resource 9010 is a locally defined resource representing a restricted donation from a local business.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 8500 is Facilities Acquisition and Construction.
- Object 6170 is Land Improvements, and Object 6200 is Buildings and Improvement of Buildings.
- School is not required.

- (b) Two years later there is a wiring problem in Room 23, which is a classroom. The staff electrician locates the problem and repairs the wiring in the cable under the floor. The costs are reported in the salary, benefits, and supplies in Maintenance and Operations as costs of maintaining the facility.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	0000	0	0000	8100	2200	000
01	0000	0	0000	8100	4300	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 8100 is Plant Maintenance and Operations.
- Object 2200 is Classified Support Salaries, and Object 4300 is Materials and Supplies.
- School is not required.

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Although the costs are originally charged to the Maintenance and Operation function, they may be transferred through Object 5710, Transfers of Direct Costs, from Goal 0000, Undistributed, to an instructional goal based on a work order or another method of documentation. The function is not changed even though the costs can be directly documented; the essence of the maintenance work does not change to instructional work.

- (c) The library has a multimedia area for student use. A work order has been completed for construction of a built-in cabinet to house a television set, a compact disk player, and a videocassette recorder. The resulting cabinet is built into the wall and is an integral part of the building.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	0000	0	0000	8100	2200	000
01	0000	0	0000	8100	4300	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 8100 is Plant Maintenance and Operations.
- Object 2200 is Classified Support Salaries, and Object 4300 is Materials and Supplies.
- School is not required.

If the LEA wishes to capitalize the cost of the building improvement, the final cost of the addition to the room can be transferred by work order to Function 8500, Facilities Acquisition and Construction. In this case, because the function changes, the correct object is 5710, Transfers of Direct Costs.

If the cabinet were a rolling cabinet instead of a built-in, it would be considered a piece of equipment. The transfer would be to the relevant goals, such as Goal 1110, Regular Education, K–12; and Function 2420, Instructional Library, Media, and Technology.

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The main purpose of most LEA transportation departments is to provide home-to-school transportation for its own students, but other types of transportation services may be provided as well. Transportation other than from home to school (such as for field trips, athletic events, summer school and extended year, and transporting pupils from one school to another school) is considered "Other Miles." The transportation department may also provide home-to-school transportation for students of other districts.

Example 1: Transportation Costs for "Other Miles" Are Transferred Out of the Home-to-School Transportation Program.

Many LEAs collect costs in a "cost pool" and then transfer out costs on the basis of documentation. For example, the costs of instructional field trips ("Other Miles") are often charged to the home-to-school transportation resource and function (the transportation "cost pool") and subsequently transferred to the user program. The accounting for costs of various activities that are not part of the home-to-school transportation program are illustrated in this example. Such costs ("Other Miles") are excluded from Resource 7230, Transportation: Home to School, and Function 3600, Pupil Transportation.

- (a) Initially, all costs of the transportation system are collected in the home-to-school transportation resource and function. These costs include salaries, benefits, supplies, services, and capital outlay.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	7230	0	0000	3600	2200	000

- Fund 01 is the General Fund.
 - Resource 7230 is Transportation: Home to School.
 - Project Year is not applicable in this example.
 - Goal 0000 is Undistributed. The home-to-school activity is provided for all students.
 - Function 3600 is Pupil Transportation.
 - Object 2200 is Classified Support Salaries.
 - School is not required.
- (b) The cost of the field trip is documented and moved out of the home-to-school transportation resource and function. Field trips ("Other Miles") are not included in the home-to-school transportation program.

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	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	0000	3600	5710	000
Dr	01	0000	0	1110	1000	5710	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School, and Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed, and Goal 1110 is Regular Education, K–12. Goal is not required for balance sheet accounts.
- Function 3600 is Pupil Transportation, and Function 1000 is Instruction. Function is not required for balance sheet accounts.
- Object 5710 is Transfers of Direct Costs; Object 9110 is Cash in County Treasury.
- School is not required.

(c) During the year, students are transported by bus from School Site A to School Site B to participate in an instructional program. The documented costs are transferred to the instructional program. Again, this type of activity is considered "Other Miles" and is not included in the home-to-school transportation program (resource and function).

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	0000	3600	5710	000
Dr	01	0000	0	1110	1000	5710	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School, and Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed, and Goal 1110 is Regular Education, K–12. Goal is not required for balance sheet accounts.
- Function 3600 is Pupil Transportation, and Function 1000 is Instruction. Function is not required for balance sheet accounts.
- Object 5710 is Transfers of Direct Costs, and Object 9110 is Cash in County Treasury.
- School is not required.

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- (d) Costs of other than home-to-school transportation may be directly charged to the proper resource, goal, and function. In this example, the high school band charters a private bus to attend a weekend parade.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	0000	0	1677	4000	5800	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 1677 is a locally defined goal for a regular high school music program.
- Function 4000 is Ancillary Services. The optional Function 4100, School-Sponsored Co-Curricular, may be used.
- Object 5800 is Professional/Consulting Services and Operating Expenditures.
- School is not required.

LEAs often provide transportation services for other LEAs' pupils. In some cases, the operating LEA contracts with the other LEAs and the LEAs for which the services are provided retain prime responsibility. In other cases, the operating LEA is directly funded and has prime responsibility. The accounting for these two scenarios is different.

Example 2: A School District Provides Transportation Services for Contracting LEAs.

- a) District A contracts with District B to provide busing service from home to school for its students. District B, the providing district, transfers those costs associated with providing services to District A from the pool of costs it has incurred to transport its own students. Those costs are identified using Goal 7110, Nonagency—Educational.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	7230	0	7110	3600	5710	000
Cr	01	7230	0	0000	3600	5710	000

- Fund 01 is the General Fund of District B.
- Resource 7230 is Transportation: Home to School.
- Project Year is not applicable in this example.

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- Goal 7110 is Nonagency—Educational, and Goal 0000 is Undistributed.
 - Function 3600 is Pupil Transportation.
 - Object 5710 is Transfers of Direct Costs.
 - School is not required.
- b) District A contracts with District B to provide buses for its football team. Again, District B, the providing district, transfers those costs associated with providing services to District A from the pool of costs it has incurred to transport its own students. Unlike Example 2, however, these costs are considered "Other Miles" and may not be charged to the home-to-school transportation program (function).

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	0100	0	7110	4000	5710	000
Cr	01	0100	0	0000	0000	9110	000
Dr	01	7230	0	7110	0000	9110	000
Cr	01	7230	0	0000	3600	5710	000

- Fund 01 is the General Fund of the providing district.
 - Resource 7230 is Transportation: Home to School. The district has optionally defined an unrestricted Resource 0100 to track the revenue and expenditures of transportation contracts other than home-to-school contracts.
 - Project Year is not applicable in this example.
 - Goal 7110 is Nonagency—Educational, and Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
 - Function 4000 is Ancillary Services, and Function 3600 is Pupil Transportation. Function is not required for balance sheet accounts.
 - Object 5710 is Transfers of Direct Costs, and Object 9110 is Cash in County Treasury.
 - School is not required.
- c) District B has a central garage that provides services for the vehicles of other LEAs as well as for its own buses and other vehicles. District A contracts with District B to provide maintenance service for District A's vehicles other than its school buses. District B transfers the costs of the maintenance services it provides for District A from the pool of costs it has accumulated in its home-to-school transportation program, which includes all costs of vehicle maintenance. These costs are not considered home-to-school transportation costs because the maintenance is not

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performed on buses used to transport pupils between home and school; rather, the costs are considered part of the maintenance and operations function.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	0100	0	7110	8100	5710	000
Cr	01	0100	0	0000	0000	9110	000
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	0000	3600	5710	000

- Fund 01 is the General Fund of the district operating the central garage.
- Resource 7230 is Transportation: Home to School. The district has optionally defined an unrestricted Resource 0100 to track the revenue and expenditures of transportation contracts other than home-to-school contracts.
- Project Year is not applicable in this example.
- Goal 7110 is Nonagency—Educational, and Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 8100 is Plant Maintenance and Operations, and Function 3600 is Pupil Transportation. Function is not required for balance sheet accounts.
- Object 5710 is Transfers of Direct Costs, and Object 9110 is Cash in County Treasury.
- School is not required.

Example 3: A School District Receives Payment from Contracting LEAs.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	0100	0	0000	0000	9110	000
Cr	01	0100	0	0000	4000	8677	000
Cr	01	0100	0	0000	8100	8677	000
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	0000	3600	8677	000

- Fund 01 is the General Fund of the providing district.
- Resource 7230 is Transportation: Home to School. The district has created an unrestricted Resource 0100 to track transportation contracts other than home-to-school contracts.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is generally not required for revenues or balance sheet accounts.

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- Function 0000 is not required for revenue accounts or balance sheet accounts. However, the LEA may use the function field to match revenue to the expenditures. In this case, Function 4000 is Ancillary Services; Function 8100 is Plant Maintenance and Operations; and Function 3600 is Pupil Transportation.
- Object 8677 is Interagency Services between LEAs, and Object 9110 is Cash in County Treasury.
- School is not required.

Example 4: A Contracting LEA Pays Another School District for Transportation Services.

- (a) District A records the payment to District B for home-to-school transportation services.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	7230	0	0000	3600	5100	000
Cr	01	7230	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 3600 is Pupil Transportation. Function is not required for balance sheet accounts.
- Object 5100 is Subagreements for Services, and Object 9110 is Cash in County Treasury.
- School is not required.

- (b) District A records the payment to District B for the use of buses for a field trip and the transport of the football team.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	0000	0	1110	1000	5800	000
Dr	01	0000	0	1110	4000	5800	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.

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- Goal 1110 is Regular Education, K–12. Goal is not required for balance sheet accounts.
 - Function 1000 is Instruction, and Function 4000 is Ancillary Services. Function is not required for balance sheet accounts.
 - Object 5800 is Professional/Consulting Services and Operating Expenditures, and Object 9110 is Cash in County Treasury.
 - School is not required.
- (c) District A records the payment to District B for the cost of vehicle maintenance performed on the superintendent's car, the cafeteria's delivery van, and a maintenance pickup truck.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	0000	0	0000	7100	5800	000
Dr	01	0000	0	0000	3700	5800	000
Dr	01	0000	0	0000	8100	5800	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 7100 is Board and Superintendent; Function 3700 is Food Services; and Function 8100 is Plant Maintenance and Operations. Function is not required for balance sheet accounts.
- Object 5800 is Professional/Consulting Services and Operating Expenditures, and Object 9110 is Cash in County Treasury.
- School is not required.

Example 5: An LEA Pays a Transportation JPA for the Excess Costs of Providing Transportation Services to the LEA's Pupils.

A transportation joint powers agreement/agency (JPA) is funded for and provides transportation services for another LEA's pupils. The JPA is responsible for reporting all costs of its home-to-school transportation services since it receives the home-to-school apportionment, not the participating LEA. In providing the services, the JPA incurs excess costs beyond what is covered by the home-to-school apportionment; therefore, it charges the participating LEA for these excess costs.

A contract for services does not exist in this situation. Therefore, the JPA would not record the costs associated with providing transportation

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services to the LEA's pupils using Goal 7110, Nonagency—Educational, and would not record the revenue received from billing the LEA for the excess costs of transporting the LEA's pupils using Object 8677, Interagency Services Between LEAs. (For additional JPA accounting guidance, refer to Procedure 805.)

For the same reason, the participating LEA would not record the payment of excess costs to the JPA using Object 5800, Professional/Consulting Services and Operating Expenditures. Doing so could result in double counting expenditures at the state level.

The JPA and the LEA will record excess cost payments and receipts as shown below:

- a) The JPA records the transportation costs in the home-to-school transportation resource and function using the undistributed goal.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	7230	0	0000	3600	2200	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. The home-to-school activity is provided for all students.
- Function 3600 is Pupil Transportation.
- Object 2200 is Classified Support Salaries.
- School is not required.

- b) The LEA records the payment to the transportation JPA for the excess costs of transporting the LEA's pupils.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	0000	0	0000	9200	7143	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 9200 is Transfers Between Agencies. Function is not required for balance sheet accounts.

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- Object 7143 is Other Tuition, Excess Costs, and/or Deficit Payments to JPAs, and Object 9110 is Cash in County Treasury.
 - School is not required.
- c) The JPA records the receipt of the LEA’s payment for excess costs.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	0000	0000	8710	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function is not required for balance sheet accounts or revenues.
- Object 9110 is Cash in County Treasury, and Object 8710 is Tuition.
- School is not required.

Example 6: A School District Transfers the Cost of Home-to-School Transportation to Special Education Goals.

The following are three different illustrations of how the costs of home-to-school transportation can be charged to special education goals. The examples vary according to the accounting used at the time the costs are initially incurred. Note that only the costs of transporting severely disabled students are accounted for in Resource 7240, Transportation: Special Education (Severely Disabled/Orthopedically Impaired).

- (a) Initially, the costs of transporting severely disabled students for whom transportation is required by their individualized education programs (IEPs) are distinguished from the costs of transporting regular and other special education students by using the goal appropriate to each population.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	7230	0	1110	3600	2200	000
Dr	01	7230	0	5001	3600	2200	000
Dr	01	7230	0	5770	3600	2200	000
Dr	01	7240	0	5750	3600	2200	000
Cr	01	7230	0	0000	0000	9110	000
Cr	01	7240	0	0000	0000	9110	000

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- Fund 01 is the General Fund.
 - Resource 7230 is Transportation: Home to School, and Resource 7240 is Transportation: Special Education (Severely Disabled/Orthopedically Impaired).
 - Project Year is not applicable in this example.
 - Goal 1110 is Regular Education, K–12; Goal 5001 is Special Education—Unspecified; Goal 5750 is Special Education, Ages 5–22 Severely Disabled; and Goal 5770 is Special Education, Ages 5–22 Nonseverely Disabled. Goal is not required for balance sheet accounts.
 - Function 3600 is Pupil Transportation. Function is not required for balance sheet accounts.
 - Object 2200 is Classified Support Salaries, and Object 9110 is Cash in County Treasury.
 - School is not required.
- (b) Initially, all the costs of the transportation system are collected using Goal 0000, Undistributed, in the home-to-school resource.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	7230	0	0000	3600	2200	000
Cr	01	7230	0	0000	0000	9110	000

At year-end, the costs of transporting severely disabled students for whom transportation is required by their individualized education programs (IEPs) are transferred from Resource 7230 and Goal 0000 to Resource 7240 and Goal 5750. The costs of transporting nonseverely disabled students are transferred from Goal 0000 to Goal 5770, but the resource remains 7230 whether transportation is required by their IEPs or not.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	7230	0	0000	0000	9110	000
Dr	01	7230	0	5770	3600	5710	000
Cr	01	7230	0	0000	3600	5710	000
Dr	01	7240	0	5750	3600	5710	000
Cr	01	7240	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School, and Resource 7240 is Transportation: Special Education (Severely Disabled/Orthopedically Impaired).
- Project Year is not applicable in this example.

Procedure 640 Transportation—Coding Examples

- Goal 0000 is Undistributed; Goal 5750 is Special Education, Ages 5–22 Severely Disabled; and Goal 5770 is Special Education, Ages 5–22 Nonseverely Disabled. Goal is not required for balance sheet accounts.
 - Function 3600 is Pupil Transportation. Function is not required for balance sheet accounts.
 - Object 2200 is Classified Support Salaries; Object 5710 is Transfers of Direct Costs; and Object 9110 is Cash in County Treasury.
 - School is not required.
- (c) Initially, the costs of transporting all Special Education students are charged to Goal 5001, Special Education—Unspecified.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	7230	0	0000	3600	2200	000
Dr	01	7230	0	5001	3600	2200	000
Cr	01	7230	0	0000	0000	9110	000

At year-end, the costs of transporting severely disabled students for whom transportation is required by their individualized education programs (IEPs) are transferred from Resource 7230 and Goal 5001 to Resource 7240 and Goal 5750.

	<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	5001	3600	5710	000
Dr	01	7240	0	5750	3600	5710	000
Cr	01	7240	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School, and Resource 7240 is Transportation: Special Education (Severely Disabled/Orthopedically Impaired).
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed; Goal 5001 is Special Education—Unspecified; and Goal 5750 is Special Education, Ages 5–22 Severely Disabled. Goal is not required for balance sheet accounts.
- Function 3600 is Pupil Transportation. Function is not required for balance sheet accounts.
- Object 2200 is Classified Support Salaries; Object 5710 is Transfers of Direct Costs; and Object 9110 is Cash in County Treasury.

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When an employee separates from service (e.g., retires or terminates), the LEA may incur costs associated with the separation in addition to the employee's regular salary and benefits for the final pay period. These additional separation costs can be categorized as "normal" and "abnormal or mass." While most separation costs can be charged to the same goal and function as the employee's regular salary, special treatment may be required for the resource and object.

Normal Separation Costs

Normal separation costs include items such as pay for accumulated unused leave or routine severance pay authorized by governing board policy. These normal separation costs are charged to the same goal, function, and object as the employee's regular salary. However, special consideration must be given to the resource.

Federal guidelines prohibit charging normal separation costs directly to a federal program; rather, an unrestricted resource (0000–1999) must be used. State programs may have similar restrictions.

Optional Adjustment to the Indirect Cost Pool

Federal guidelines and California's indirect cost plan allow that normal separation costs that would have been charged to a restricted resource but, in keeping with federal guidelines, are instead charged to an unrestricted resource may be included in the LEA's indirect cost pool. LEAs that choose to do this will manually identify and enter the costs during calculation of the indirect cost rate (see Procedure 915, Indirect Cost Rate).

Example 1: Normal Separation Costs for Employees Funded from an Unrestricted Resource

A general education teacher leaves the district. In addition to receiving regular pay for the final pay period, the teacher also receives payment for accumulated unused leave. Since the teacher's position was funded from an unrestricted resource, both the regular salary for the final pay period and the payment for accumulated unused leave can be charged to the same resource, goal, function, and object as the teacher's regular salary:

Procedure 655 Employment Separation Costs—Coding Examples

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	0000	0	1110	1000	1100	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, K–12.
- Function 1000 is Instruction.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

Example 2: Normal Separation Costs for an Employee Funded from a Federal Resource

An instructional aide retires from a federal Title I position. The amounts paid to the aide at separation include regular salary for the final pay period, plus normal separation costs for accumulated unused leave. Since federal guidelines prohibit charging separation costs directly to the program, the regular salary for the final pay period can be charged to the same resource, goal, function, and object as the aide's regular salary, but the separation costs must be charged to an unrestricted resource:

Regular Salary Costs:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	3010	0	1110	1000	2100	000

Normal Separation Costs:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	0000	0	1110	1000	2100	000

- Fund 01 is the General Fund.
- Resource 3010 is NCLB, Title I, Part A; Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, K–12.
- Function 1000 is Instruction.
- Object 2100 is Classified Instructional Salaries.
- School is not required.

Because the normal separation costs were charged to an unrestricted resource rather than to the employee's regular restricted resource, the LEA

will have the option during the indirect cost rate calculation to manually include the costs in the indirect cost pool.

Example 3: Leave Is Used Before Separation Occurs

An employee working in a federal program retires on June 30, and uses up his accumulated leave time during the period(s) leading up to retirement.

In this example, special coding is not required. The leave is charged to the same resource, goal, function, and object as the employee's regular salary. This is because federal guidelines provide that costs of leave taken during authorized absences from the job are allowable to the extent the leave is reasonable and required by law, and is consistent with employer–employee agreement or established policy of the LEA (refer to Office of Management and Budget [OMB] Circular A-87 Section 8[d][1]).

Abnormal or Mass Separation Costs

Costs resulting from actions taken by an LEA to influence employees to terminate their employment earlier than they normally would have are considered abnormal or mass separation costs. The most common examples of these costs include early retirement incentives offered in the form of additional pay or added benefits (e.g., a Golden Handshake) and severance packages negotiated to effect termination.

Abnormal or mass separation costs generally may not be charged to a federal program either as a direct or indirect cost. State programs may have similar restrictions. Note that in very limited circumstances, such as when a federal program is eliminated, an exception may be made to this rule. However, prior approval by the federal government is required (such requests should be submitted to CDE).

Abnormal or mass separation costs may be charged to the same goal and function (and possibly the same object) as the employee's regular salary, but absent an approved exception, they must be charged to an unrestricted resource (0000–1999).

Required Adjustment to the Indirect Cost Pool

Unless prior federal approval has been obtained, abnormal or mass separation costs may not be charged to a federal program, either directly or indirectly. Because of this requirement, in addition to using an unrestricted resource, LEAs must also ensure that the costs are excluded

from the indirect cost pool. To do this, where there are abnormal or mass separation costs relating to employees charged to indirect activities (Function 7200, Other General Administration, and Function 7700, Centralized Data Processing), LEAs must manually identify and exclude them during calculation of the indirect cost rate (see Procedure 915, Indirect Cost Rate).

Example 1: Teachers Receive Enhanced Pension Benefits in Exchange for Early Retirement

Teachers are offered two extra years of retirement service credit in exchange for early retirement (e.g., a Golden Handshake), and a teacher working in a federal special education program accepts the offer. The benefit cost can be charged to the employee's regular goal and function, along with an object for Golden Handshake, but because it is a federal program and this is an abnormal or mass separation cost, the resource must be unrestricted (0000–1999):

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	0000	0	5770	1110	3901	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 5770 is Special Education, Ages 5–22 Nonseverely Disabled.
- Function 1110 is Special Education: Separate Classes.
- Object 3901 is Other Benefits, Certificated Positions.
- School is not required.

Example 2: Downsizing of Fiscal Services Staff Effects an Early Separation

An LEA is considering downsizing its fiscal services staff. Employees in the accounting office are offered a two-month salary severance package in exchange for voluntary termination of employment, and one accepts the offer. Since this position is already being coded to an unrestricted resource, the costs of the two-month salary severance package can be charged to the employee's regular resource, goal, function, and object:

Procedure 655 Employment Separation Costs—Coding Examples

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	0000	0	0000	7200	2400	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7200 is Other General Administration.
- Object 2400 is Clerical, Technical, and Office Staff Salaries.
- School is not required.

However, because abnormal separation costs may not be included in the indirect cost pool, and this employee's costs are charged to a function within the pool, the LEA must manually exclude these costs during calculation of the indirect cost rate (see Procedure 915, Indirect Cost Rate).

Example 3: A Federally Funded Teacher Accepts a Salary Bonus in Exchange for Early Retirement

Teachers are offered a two-month salary bonus in exchange for early retirement, and a teacher working in a federal Title III program accepts the offer. Because this salary bonus is an abnormal or mass separation cost, it cannot be charged to a federal program; rather, it must be coded to an unrestricted resource:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	0000	0	4760	1000	1100	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 4760 is Bilingual.
- Function 1000 is Instruction.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

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One of the most common ways school districts acquire equipment is through lease-purchase agreements. *Governmental Accounting and Financial Reporting Standards (GASB Codification)* Section L20.109 requires that a lease agreement that meets any one of the following criteria be capitalized:

1. The lease transfers ownership of the property to the lessee by the end of the lease term. This is a common situation in LEAs.
2. The lease contains a bargain purchase option. This is a common situation in LEAs.
3. The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
4. The value at the beginning of the lease's term of the minimum lease payments, excluding that portion of the payments representing executory costs to be prepaid by the lessor but including any profit thereon, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at the inception of the lease.

When an LEA's lease agreements are capitalized, the property rights acquired under the lease are reported in the government-wide statement of net assets.

The following rules apply to accounting for capital leases in the governmental funds:

1. At the inception of the lease, record the capital lease in the fund acquiring the asset as a debit to Object 6400, Equipment, for the amount of the entire principal that is due. The credit is to Object 8972, Proceeds from Capital Leases.
2. As lease payments are made, record the payments in the fund acquiring the asset as a debit to Objects 7438, Debt Service—Interest, and 7439, Other Debt Service—Principal.

As an example of accounting for a capital lease, assume that a photocopy machine used in the accounting department is leased for a five-year period, which is the economic life of the equipment. The lease is signed on June 30, 2007, and beginning on this date, five annual payments of \$50,000 will be made.

The lease agreement contains the following amortization schedule, which shows the breakdown of the annual payments into the principal and interest components:

Procedure 710 Capital Leases

Amortization Schedule

<u>Date</u>	<u>Lease Payment</u>	<u>Interest Expenditure @ 10%</u>	<u>Principal Expenditure</u>	<u>Principal Balance of Long-Term Debt*</u>
6/30/07				\$208,493
6/30/07	\$ 50,000		\$ 50,000	158,493
6/30/08	50,000	\$15,849	34,151	124,342
6/30/09	50,000	12,434	37,566	86,776
6/30/10	50,000	8,678	41,322	45,454
6/30/11	50,000	4,546	45,454	-0-
	\$250,000	\$41,507	\$208,493	

**This column was computed from the amortization schedule provided in the lease agreement. To compute this column, subtract the amount of principal paid each year from the total principal due at the beginning of the lease.*

This amortization schedule is necessary to make the entries that are needed to record the capital lease.

The entries for the photocopy machine lease would be recorded as follows:

General Fund

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
6-30-07	Equipment	01-0000-0-0000-7200-6400	\$208,493	
	Proceeds from Capital Leases	01-0000-0-0000-0000-8972		\$208,493

To record the acquisition of equipment with a capital lease.

General Fund

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
6-30-07	Other Debt Service—Principal	01-0000-0-0000-9100-7439*	\$50,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$50,000

To record the first lease payment.

**If a restricted resource will be used to make the payments on the capital lease, the appropriate resource and goal would be used.*

Procedure 710 Capital Leases

The second lease payment (6/30/08) would be recorded in the following manner:

<u>General Fund</u>				
<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
6-30-08	Debt Service—Interest	01-0000-0-0000-9100-7438*	\$ 15,849	
	Other Debt Service—Principal	01-0000-0-0000-9100-7439*	34,151	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$50,000
To record the second lease payment.				

**If a restricted resource will be used to make the payments on the capital lease, the appropriate resource and goal would be used.*

Repayments of debt such as capital leases, which normally do not involve the advance accumulation of resources for repayment of amounts maturing in future years, are normally made from the general fund or a special revenue fund. If the lease payments were to be paid from a debt service fund, the above entry would be recorded in the debt service fund. Any transfers from the general fund to the debt service fund would be treated as operating transfers, not as general fund expenditures.

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An issuance of certificates of participation (COPs) is a mechanism for providing capital to school districts and county offices to purchase equipment, finance construction projects, or refinance existing leases. This financing technique provides long-term financing through a lease with an option to purchase or a conditional sales agreement.

The major disadvantage of a COP is that there is no repayment source connected to its issuance, such as there is with an issuance of general obligation debt. The lease obligation is payable out of the general fund or from other available revenues.

The following points are important to understanding how certificates of participation are accounted for in conformity with generally accepted accounting principles (GAAP):

1. The financing of certificates of participation typically involves the following parties:

Lessee (Issuer)—A school district or county office of education

Lessor—A nonprofit corporation, joint powers authority, leasing company, bank, or other entity that holds title to the equipment during the lease period

Trustee—A commercial bank or trust company that receives the proceeds, collects the lease payments on behalf of the lessor, and/or repays the notes. The trustee is required to adhere to the standards in the trust agreement and maintain the trust fund accounts. The trust fund accounts show all disbursements made against the certificates of participation's proceeds as well as any interest earned.

Underwriter—A municipal securities dealer who commits to the purchase of the certificates and remarkets them to investors. The underwriter will charge a fee, known as the underwriter's discount, to assume the underwriting risk of the COPs.

2. At the time the proceeds of the COPs are deposited with the trustee, the money legally belongs to the local educational agency (LEA). Therefore, at this time, the LEA must record the proceeds in its books.

3. The proceeds of the COPs should be reported in the fund that will be used to acquire or construct the assets. This will typically be the general fund or a capital projects fund.

School districts may identify developer fees as the repayment source for COPs. If this is the case, the LEA will record the proceeds of the COPs in the Capital Facilities Fund.

4. The LEA must review the section of the COPs' documents titled "Sources and Uses of Funds" to determine the opening entry needed on the LEA's books to account for the COPs. The following sources or uses of funds will typically be found:

Accrued Interest—The amount of interest accrued on COPs from the issue date until closing. The underwriter pays this amount to the trustee at closing, and the money is held by the trustee in the lease payment account as a credit toward the first scheduled lease payment. For this reason the accrued interest is recorded as interest payable.

Capitalized or Funded Interest—The amount of interest on a COP that will accrue from the COP's issue date to the date the project or property being financed is projected to be completed. California law precludes issuers from making lease payments unless they have constructive use or occupancy of the property being financed. The funded interest is a component of the COP's proceeds and is used to pay the investors their semiannual interest payments during the construction period. As a matter of practice, funded interest normally extends two to three months beyond the projected completion date to cover unforeseen delays.

Reserve Account (Reserve for Debt Service)—Underwriters typically require a debt service reserve funded by the proceeds of the COP. The reserve is held by the trustee to pay investors in the event of the issuer's default or in the case of late payment. If neither of these events occurs, the reserve account is used to make the final lease payment. Because the amount of the COP's proceeds that represents the Reserve for Debt Service is legally restricted, this amount must be shown as a reservation of fund balance at year-end.

Underwriter's Discount—The fee a municipal underwriter charges to assume the underwriting risk of the COP. The underwriter's fees

Procedure 720 Certificates of Participation (COPs)

will typically be deducted from the proceeds before the proceeds are deposited with the trustee.

5. The trustee will maintain the proceeds in various trust accounts. The trustee will provide information to the LEA on all activity in the trust accounts. The LEA must account for all such activity in its books.
6. It is not necessary to make the lease payments for COPs out of a separate debt service fund.

The following examples show the accounting for COPs in conformity with generally accepted accounting principles:

Assume that on August 1, 2007, a school district issues certificates of participation for the purchase of 193 school buses from the ABC Bus Company. The XYZ Bank is designated as trustee of the certificates and is assigned the right to enforce amounts payable by the district under the agreement. The first lease payment is due in February 2008, and the final payment is due in August 2012.

Estimated Sources and Uses of ProceedsSources

Certificate Proceeds	\$18,200,000
Accrued Interest	<u>100,000</u>
Total Sources	<u>\$18,300,000</u>

Uses

Cost of Equipment	\$14,950,000
Capitalized Interest	500,000
Reserve for Debt Service	2,700,000
Underwriter's Discount	<u>150,000</u>
Total Uses	<u>\$18,300,000</u>

Assume that the Reserve for Debt Service of \$2,700,000 was invested and estimated to earn interest of \$110,000 through January 31, 2008, and \$92,000 from February 1 through June 30, 2008.

Procedure 720 Certificates of Participation (COPs)

The lease payment schedule is as follows:

Lease payment dates	Principal Component	Interest Component	Total Payment
February 1, 2008		\$ 500,000	\$ 500,000
August 1, 2008	3,200,000	500,000	3,700,000
February 1, 2009		400,000	400,000
August 1, 2009	3,300,000	400,000	3,700,000
February 1, 2010		300,000	300,000
August 1, 2010	3,500,000	300,000	3,800,000
February 1, 2011		200,000	200,000
August 1, 2011	3,800,000	200,000	4,000,000
February 1, 2012		100,000	100,000
August 1, 2012	<u>4,400,000</u>	<u>100,000</u>	<u>4,500,000</u>
Total	<u>\$18,200,000</u>	<u>\$ 3,000,000</u>	<u>\$ 21,200,000</u>

Key Entries for Certificates of Participation

1. Proceeds from the sale of the certificates of participation (COPs) are deposited with the trustee in the name of the LEA. The terms of the COPs require a debt service reserve of \$2,700,000. All interest earned on the debt service reserve is available for debt repayment.

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
8-1-07	Cash with a Fiscal Agent/Trustee Professional/Consulting Services and Operating Expenditures	01-0000-0-0000-0000-9135	\$18,150,000	
	Proceeds from COPs	01-0000-0-0000-9100-5800	150,000	\$18,200,000
	Accounts Payable	01-0000-0-0000-0000-8971		\$18,200,000
		01-0000-0-0000-0000-9500		100,000
To record the receipt of the proceeds from the sale of the COPs to be used for the purchase of equipment and the underwriter's discount.				

2. Equipment is purchased.

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
9-1-07	Equipment	01-0000-0-0000-3600-6400	\$14,950,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$14,950,000
To record the purchase of 193 buses acquired through the issuance of COPs.				

Procedure 720 Certificates of Participation (COPs)

3. Reimbursement is received from the trustee.

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
11-1-07	Cash in County Treasury	01-0000-0-0000-0000-9110	\$14,950,000	
	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135		\$14,950,000
To record the reimbursement received from the trustee.				

4. Interest is received on the investments of the \$2,700,000 debt service reserve.

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
2-1-08	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135	\$ 110,000	
	Interest	01-0000-0-0000-0000-8660		\$ 110,000
To record the interest earned on the debt service reserve.				

5. The first lease payment, which represents interest only, is made in accordance with the lease payment schedule.

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
2-1-08	Debt Service—Interest	01-0000-0-0000-9100-7438	\$ 400,000	
	Accounts Payable	01-0000-0-0000-0000-9500	100,000	
	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135		\$ 500,000
To record the first payment on the COPs.				

6. Interest of \$92,000 is earned, but not yet received, on the debt service reserve.

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
6-1-08	Accounts Receivable	01-0000-0-0000-0000-9200	\$ 92,000	
	Interest	01-0000-0-0000-0000-8660		\$ 92,000
To accrue interest earned on the investment of the debt service reserve.				

7. At the end of the fiscal year, the LEA records a reservation of fund balance for the COPs legally restricted Reserve for Debt Service.

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
6-30-08	Undesignated/Unappropriated	01-0000-0-0000-0000-9790	\$ 2,700,000	
	Reserve for All Others	01-0000-0-0000-0000-9719		\$ 2,700,000
To reserve that portion of fund balance that represents the COPs required debt service reserve.				

Procedure 720 Certificates of Participation (COPs)

8. The interest earned on the debt service reserve is received.

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
7-5-08	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135	\$ 92,000	
	Accounts Receivable	01-0000-0-0000-0000-9200		\$ 92,000
To record the receipt of interest earned on the debt service reserve through June 30.				

9. The second lease payment is made.

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
8-1-08	Debt Service—Interest	01-0000-0-0000-9100-7438	\$ 500,000	
	Other Debt Service—Principal	01-0000-0-0000-9100-7439	3,200,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$3,498,000
	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135		202,000
To record the second lease payment on the COPs.				

Special education budgets are complex and are of great interest to the public, both locally and statewide. *Education Code* Section 56205(b)(1) requires that a special education budget shall separately identify the following elements:

1. Apportionment received by the local educational agency (LEA) in accordance with the allocation plan adopted by the special education local plan area (SELPA). (The state funding is tracked in SACS in the resource field in combination with a specific revenue code in the object field.)
2. Administrative costs of the plan. (These costs are tracked in the function field.)
3. Costs of special education services to pupils with severe disabilities and low-incidence disabilities. (This population is identified by the goal field.)
4. Costs of special education services to pupils with nonsevere disabilities. (This population is identified by the goal field.)
5. Costs of supplemental aids and services provided to meet the individual needs of pupils placed in regular education classrooms and environments. (Costs of these aids and services, which may be provided to both severe and nonsevere students, are tracked in the function field.)
6. Costs of regionalized operations and services and direct instructional support by program specialists in accordance with Part 30, Chapter 7.2, Article 6, of the *Education Code, Program Specialists and Administration of Regionalized Operations and Services*. (These costs are tracked in the goal field for regionalized operations and in the function field for instructional services.)
7. Use of property taxes allocated to the SELPA pursuant to *Education Code* Section 2572. (Property taxes allocated to the SELPA are tracked in the resource field and identified by a specific revenue code in the object field.)

Maintenance of Effort

Funds provided under Part B of the federal Individuals with Disabilities Education Act (IDEA) are subject to a maintenance of effort (MOE) requirement. This is stipulated in Section 1413 of Title 20 of the *United States Code*, Title 34, Section 300.203 of the *Code of Federal Regulations*, and *Education Code* Section 56205.

The MOE requirement is that Part B IDEA funds shall not be used, except in specified situations, to reduce the level of expenditures for the

education of children with disabilities made by the LEA from state and local funds or from local funds only, below the prior year's level. This test must be met on either an aggregate or a per capita basis.

Recording Special Education Transactions

For state reporting, LEAs use the goal field to report direct special education costs for different objectives, such as the costs of providing services to infants or to severely disabled students from ages five through twenty-two. The costs are further broken down by the type of instructional service provided, such as special education instruction in separate classes, using the function field.

Shown below are discussions of how certain special education transactions are accounted for. Later in this section, examples of transactions are given to illustrate the accounting entries.

1. Salaries of certificated employees providing other specialized instructional services are recorded in Function 1190, Special Education: Other Specialized Instructional Services, with Object 1100, Certificated Teachers' Salaries.
2. Salaries of instructional aides are recorded in the special education instructional functions 1100–1199, except 1180, with Object 2100, Classified Instructional Salaries. If a classified employee provides other support services, that cost should be coded to a support function with Object 2200, Classified Support Salaries.
3. Administrative costs of the SELPA administrative unit (AU) are recorded in Function 2200, Administrative Unit of Multidistrict SELPA. A school district or county superintendent of schools may be the Administrative Unit (AU) of a SELPA.
4. Salaries of a program specialist providing regionalized services as defined by *Education Code* Section 56836.23 are recorded in Goal 5060, Regionalized Program Specialist, with Function 2100, Instructional Supervision and Administration, and Object 1900, Other Certificated Salaries.

Salaries of a program specialist not providing regionalized services but instead working locally with students as a support to teachers are recorded in Function 2100, Instructional Supervision and Administration, with the appropriate special education goal, and Object 1900, Other Certificated Salaries.

5. Apportionments for regionalized operations and services and the direct instructional support of program specialists are made directly to the SELPA administrative unit (AU) (*Education Code* Section 56836.23). These apportionments are recorded by the AU using Object 8311, Other State Apportionments—Current Year (or Object 8319, Other State Apportionments—Prior Year).

The AU, by agreement, may transfer these apportionments to a participating agency. It can do the transfer in one of two ways: by transferring to the other LEA the responsibility for providing regionalized services or by contracting with the other LEA to provide the services while retaining the responsibility for providing the services.

An AU transferring to another LEA the responsibility for providing regionalized services records the transfer as a transfer of apportionments using Function 9200, Transfers Between Agencies, and the transfers of apportionments objects, such as Object 7221, Transfers of Apportionments to Districts or Charter Schools; Object 7222, Transfers of Apportionments to County Offices; or Object 7223, Transfers of Apportionments to JPAs.

The LEA receiving the apportionment under this arrangement records the revenues in Resource 6500, Special Education, in the appropriate special education goals, with a transfers of apportionments object, such as Object 8791, Transfers of Apportionments from Districts or Charter Schools; or Object 8792, Transfers of Apportionments from County Offices. The expenditures are recorded in the same goals as the revenues, in Function 2100, Instructional Supervision and Administration, and in the appropriate object (e.g., Object 1300, Certificated Supervisors' and Administrators' Salaries).

An AU contracting with another LEA to provide regionalized services while retaining the responsibility for providing the services records the payments to the other LEA as payments for contracted services. The AU records these payments in Object 5100, Subagreements for Services, still in Resource 6500 with a special education goal (e.g., Goal 5xxx), and an appropriate expenditure function.

The LEA providing the services under the contract does not record the revenues and expenditures in the special education resource or

a special education goal but in Resource 9010, Other Restricted Local (or a locally defined resource), and Goal 7110, Nonagency—Educational (use of this goal in this revenue transaction is optional; otherwise, use Goal 0000), with Object 8677, Interagency Services Between LEAs. It records expenditures in Goal 7110, Nonagency—Educational (whether or not Goal 7110 was used for the revenue), Function 2100, Instructional Supervision and Administration, and the appropriate objects for salaries, benefits, and supplies.

See Example 8 and Example 9 later in this procedure for coding examples for these types of transactions.

6. Apportionments for other than regionalized services may be allocated to districts and county offices of education in accordance with the allocation plan adopted pursuant to *Education Code* Section 56836.05 unless the allocation plan specifies that funds will be apportioned to the AU of the SELPA (*Education Code* Section 56195.7).

Method 1—Special Education Apportionment Allocated to the Administrative Unit (AU):

If the SELPA has elected for the apportionments to be made to the AU, the AU records the receipt of apportionment and the transfer of funds to the members basically in the same manner as recording the transfer of apportionments for program specialists and regionalized services, where the AU also transfers to the participating LEA the responsibility for providing regionalized services, as discussed in item 5.

By the same token, the participating LEA records the receipt of these moneys from the AU and the expenditures basically in the same manner as discussed in that part of item 5.

Method 2—Special Education Apportionment Allocated to Districts and County Superintendents of Schools

If the SELPA has opted for special education apportionments (other than for regionalized services) to be made directly to the participating agencies, each district or county office records the apportionment as Resource 6500, Special Education, an appropriate special education goal, such as Goal 5001, Special

Education—Unspecified, and Object 8311, Other State Apportionments—Current Year.

7. A district, county office, or JPA billing for and receiving payment for special education excess costs or deficits, or payments for special education transportation excess costs or deficits, records the revenue received as Object 8710, Tuition, with the appropriate special education resource and an appropriate special education goal.

The LEA paying the excess costs or deficits records the payment with an appropriate resource, a special education goal, Function 9200, Transfers Between Agencies, and Object 7141, Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools; Object 7142, Other Tuition, Excess Costs, and/or Deficit Payments to County Offices; or Object 7143, Other Tuition, Excess Costs, and/or Deficit Payments to JPAs.

8. A district or county office receiving the federal Individuals with Disabilities Education Act (IDEA) basic local assistance revenue records the revenue in Resource 3310, IDEA Basic Local Assistance Entitlement, Part B, with a special education goal, in Object 8181, Special Education—Entitlement, and records the expenditures in Resource 3310, with the appropriate special education goals, functions, and objects.
9. A district or county office that receives a federal IDEA grant-in-aid for approved special projects records the revenue as Object 8182, Special Education—Discretionary Grants, with the appropriate resource and the appropriate special education goal.
10. Any AU receiving federal IDEA money of either the local assistance entitlement or a discretionary grant that is to be distributed to a district or county office records the revenue to be passed to participating LEAs as Object 8287, Pass-Through Revenues from Federal Sources, with the appropriate resource and Goal 5001, Special Education—Unspecified.

The AU distributes these funds, using the appropriate resource, the appropriate special education goal, Function 9200, Transfers Between Agencies, and Object 7211, Transfers of Pass-Through Revenues to Districts or Charter Schools; Object 7212, Transfers of Pass-Through Revenues to County Offices; or Object 7213, Transfers of Pass-Through Revenues to JPAs.

The following are examples of recording revenues received and expenditures incurred to educate special education students. The illustration of which codes to use for these transactions has been simplified. Only one side of the accounting entry is shown; in actual entries, the debit(s) must equal the credit(s).

Sample Journal Entries

Example 1: Splitting an Employee's Costs Between Functions

A teaching assistant is hired to work half a day in a separate class for severely disabled children and half a day in assisting a severely disabled student who has been mainstreamed in a regular education class.

Because the teaching assistant is working solely with severely disabled students, his salary has one goal. However, his work is split between two functions.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5750	1110	2100	000
01	6500	0	5750	1130	2100	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not required in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function 1110, Special Education: Separate Classes, captures the costs of running a separate class for severely disabled students; and Function 1130, Special Education: Supplemental Aids and Services in Regular Classrooms, captures the costs of providing a teaching assistant for a student who attends a regular education class.
- Object 2100 is Classified Instructional Salaries.
- School is not required.

Example 2: Splitting an Employee's Salary Between Goals

An adaptive physical education teacher is hired to provide physical education classes for special education students attending regular education classes on several campuses and for students attending special education separate classes. Some of the students are categorized as

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severely disabled, others as nonseverely disabled. The teacher's salary is split between two goals because two populations of students are served.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5750	1190	1100	000
01	6500	0	5770	1190	1100	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not required in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled, and Goal 5770 is Special Education, Ages 5–22 Nonseverely Disabled. (The salary may be coded instead to one goal during the year and split between the goals at year-end when the ratio of service to severely and nonseverely disabled students is documented.)
- Function 1190 is Special Education: Other Specialized Instructional Services. This function includes pullout services that may be provided to students who are normally found in separate classes or regular education classes.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

Example 3: Costs for Special Education Students in Regular Education Classrooms

A student who has a low-incidence disability has been placed in a juvenile court school. His individualized education program (IEP) necessitates the presence of an interpreter and the services of a resource specialist. The following services are being provided by different resources and for different populations. The cost of the teacher in the juvenile court school is chargeable to regular education; the costs of the interpreter and the resource specialist are chargeable to special education.

The cost of the juvenile court school teacher is coded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	2400	0	3600	1000	1100	000

- Fund 01 is the County School Service Fund.
- Resource 2400 is Juvenile Court/County Community Schools.
- Project Year is not required in this example.

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- Goal 3600, Juvenile Courts, identifies the costs of educating juvenile court school students.
- Function 1000 is Instruction. General education teachers are coded to the general population they are contracted to teach. A special education student who attends a regular education class is considered a part of the general education class.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

The cost of the interpreter assigned to the student who has an IEP and has been placed in the juvenile court classroom is coded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5750	1130	2100	000

- Fund 01 is the County School Service Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled. (Students with a low-incidence disability are classified as severely disabled. The LEA may have locally defined goals to separate low-incidence disabilities from other severe disabilities if management needs to identify these costs locally.)
- Function 1130 is Special Education: Supplemental Aids and Services in Regular Classrooms.
- Object 2100 is Classified Instructional Salaries. (The LEA may have locally defined objects if it is important to track the costs of interpreters separately from those of classroom assistants.)
- School is not required.

The cost of the resource specialist who works with this student on a pullout basis is coded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5750	1120	1100	000

- Fund 01 is the County School Service Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled. (Students with a low-incidence disability are classified as severely disabled students. The LEA may have locally defined

- goals to separate low-incidence disabilities from other severe disabilities if management needs to identify these costs locally.)
- Function 1120 is Special Education: Resource Specialist Instruction. This is a resource specialist who works directly with the students in an instructional setting.
 - Object 1100 is Certificated Teachers' Salaries.
 - School is not required.

Example 4: Costs for Special Education Students in a Regional Occupational Center/Program (ROC/P)

Some special education students are in transition, going from the special education K–12 program into the adult workforce. The students have been placed in an ROC/P class, where they receive training at a fast-food business supplemented with ROC/P classes. The cost of the ROC/P instructor is coded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6360	0	6000	1000	1100	000

- Fund 01 is the school district's General Fund.
- Resource 6360 is Pupils with Disabilities Attending ROC/P.
- Project Year is not applicable in this example.
- Goal 6000 is Regional Occupational Center/Program.
- Function 1000 is Instruction.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

The cost of a teaching assistant assigned to the special education students to enable them to participate in the ROC/P class is coded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5770	1130	2100	000

- Fund 01 is the school district's General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5770 is Special Education, Ages 5–22 Nonseverely Disabled.
- Function 1130 is Special Education: Supplemental Aids and Services in Regular Classrooms.

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- Object 2100 is Classified Instructional Salaries.
- School is not required.

Example 5: Costs of Instruction Provided on a Pullout Basis

An orientation and mobility (O & M) specialist is hired to teach students how to travel safely and independently around the school and in the community. He or she works with blind students who attend regular classes at the elementary and high schools. This service is provided on a pullout basis. The O & M specialist has a teaching credential and is trained to teach special education students.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5750	1190	1100	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled, which includes students with a low-incidence disability.
- Function 1190 is Special Education: Other Specialized Instructional Services. This function includes pullout services that may be provided to students who are normally found in separate classes or regular education classes.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

Example 6: Costs of Pupil Services

A counselor is hired to provide special education students with behavior management services, a systematic implementation of procedures designed to promote lasting, positive changes in the students' behavior, resulting in greater access to a variety of community settings, social contacts, and public events, and placement in the least restrictive environment. The counselor is a licensed professional with a certificate for school service. The salary is coded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5750	3110	1200	000

- Fund 01 is the General Fund.

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- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function 3110 is Guidance and Counseling Services.
- Object 1200 is Certificated Pupil Support Salaries.
- School is not required.

The students receiving this behavior modification training are enrolled in a separate class for severely emotionally disabled students or autistic students. This class is taught by a special education teacher who works with the counselor to apply the behavior modification procedures in the classroom. The cost of the teacher is coded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5750	1110	1100	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function 1110 is Special Education: Separate Classes.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

Example 7: Costs Related to Federal Resources

- (a) Funds from the Individuals with Disabilities Education Act (IDEA) basic local assistance entitlement were used to pay a classified assistant to work with students who are in transition from K–12 special education into gainful employment in local businesses.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	3310	7	5750	1190	2100	000

- Fund 01 is the school district's General Fund.
- Resource 3310 is Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611.
- Project Year refers to the report year for this program; 7 in this case stands for federal fiscal year 2006-07, which ended September 30, 2007.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.

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- Function 1190 is Special Education: Other Specialized Instructional Services. The student has been transferred from a regular or separate classroom to a work site or other setting.
 - Object 2100 is Classified Instructional Salaries.
 - School is not required.
- (b) An LEA uses IDEA basic local assistance entitlement funds to purchase assistive technology for a student who will use the computer to communicate with teachers and peers in a regular education classroom.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	3310	7	5750	1130	6400	000

- Fund 01 is the General Fund.
- Resource 3310 is Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611.
- Project Year refers to the report year for this program; 7 in this case stands for federal fiscal year 2006-07, which ended September 30, 2007.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function 1130 is Special Education: Supplemental Aids and Services in Regular Classrooms. The equipment is an aid to the student in a regular classroom.
- Object 6400 is Equipment.
- School is not required.

Example 8: A County Office, as the SELPA Administrative Unit (AU), Receives the Apportionment and Transfers It to Participating LEAs.

- (a) As the SELPA AU, the county office records the receipt of the state apportionment.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5001	0000	8311	000

- Fund 01 is the County School Service Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5001 is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).

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- Function is not necessary for revenue.
 - Object 8311 is Other State Apportionments—Current Year.
 - School is not required.
- (b) The SELPA AU distributes the apportionment to the participating LEAs.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5001	9200	7221	000
01	6500	0	5001	9200	7222	000
01	6500	0	5001	9200	7223	000

- Fund 01 is the County School Service Fund.
 - Resource 6500 is Special Education.
 - Project Year is not applicable in this example.
 - Goal 5001 is Special Education—Unspecified.
 - Function 9200 is Transfers Between Agencies.
 - Object 7221 is Transfers of Apportionments to Districts or Charter Schools; Object 7222 is Transfers of Apportionments to County Offices; and Object 7223 is Transfers of Apportionments to JPAs.
 - School is not required.
- (c) The member LEA (in this case a school district) makes the following entry to record receipt of apportionment from the SELPA AU (in this case a county office):

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5001	0000	8792	000

- Fund 01 is the school district's General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5001 is Special Education—Unspecified. A Special Education goal is required for Special Education revenue.
- Function is not required for revenue.
- Object 8792 is Transfers of Apportionments from County Offices. In this case, the AU is a county office of education.
- School is not required.

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Example 9: A County Office, as the AU, Receives the Apportionment for Regionalized Services and Then Contracts with a Participating District to Provide Regionalized Services.

(a) The county office, as the SELPA AU, records payment on a contract with a district to provide regionalized services, in this case to coordinate curriculum development.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5050	2130	5100	000

- Fund 01 is the County School Service Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5050 is Regionalized Services.
- Function 2130 is Curriculum Development.
- Object 5100 is Subagreements for Services.
- School is not required.

(b) The district records the interagency revenue from the AU.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	9010	0	7110	0000	8677	000

- Fund 01 is the General Fund.
- Resource 9010 is Other Restricted Local, in this case a contract with another LEA.
- Project Year is not applicable in this example.
- Goal 7110 is Nonagency—Educational. (Use of this goal for a revenue transaction is optional; it will enable the LEA to match contract revenue with the contract expenditures.)
- Function is not required for revenue.
- Object 8677 is Interagency Services between LEAs.
- School is not required.

(c) As part of this contract, the district pays a program specialist who provides regionalized services to members of the SELPA.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	9010	0	7110	2100	1900	000

- Fund 01 is the General Fund.

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- Resource 9010 is Other Restricted Local.
- Project Year is not applicable in this example.
- Goal 7110 is Nonagency—Educational.
- Function 2100 is Instructional Supervision and Administration.
- Object 1900 is Other Certificated Salaries.
- School is not required.

Example 10: A School District, a Member of a SELPA, Makes Payments to Another Entity for a Special Education Student's Education.

- (a) The district makes payments to a State Special School using unrestricted resources.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	0000	0	5001	9200	7130	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resource.
- Project Year is not applicable in this example.
- Goal 5001 is Special Education—Unspecified.
- Function 9200 is Transfers Between Agencies.
- Object 7130 is State Special Schools.
- School is not required.

- (b) The district makes payments to a nonpublic school for a severely disabled student's education.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5750	1180	5100	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function 1180 is Special Education: Nonpublic Agencies/Schools.
- Object 5100 is Subagreements for Services.
- School is not required.

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(c) A school district pays excess costs for a program run by the SELPA.

(1) The SELPA AU (a county office of education) bills the district for excess costs. The revenue is coded as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5750	0000	8710	000

- Fund 01 is the County School Service Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable for this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function is not required for revenue or balance sheet accounts.
- Object 8710 is Tuition.
- School is not required.

(2) The school district pays the SELPA AU its share of excess costs of the program per the local plan agreement.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5750	9200	7142	000

- Fund 01 is the district's General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable for this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function 9200 is Transfers Between Agencies.
- Object 7142 is Other Tuition, Excess Costs, and/or Deficit Payments to County Offices.
- School is not required.

Example 11: Identifying Administrative Costs

(a) A multidistrict SELPA AU pays its director.

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5001	2200	1300	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.

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- Goal 5001 is Special Education—Unspecified.
 - Function 2200 is Administrative Unit of a Multidistrict SELPA.
 - Object 1300 is Certificated Supervisors' and Administrators' Salaries.
 - School is not required.
- (b) A district charges its special education programs its indirect cost rate as follows:

<u>Fund</u>	<u>Resource</u>	<u>Project Year</u>	<u>Goal</u>	<u>Function</u>	<u>Object</u>	<u>School</u>
01	6500	0	5001	7210	7310	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5001 is Special Education—Unspecified.
- Function 7210 is Indirect Cost Transfers.
- Object 7310 is Transfers of Indirect Costs.
- School is not required.

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Generally accepted accounting principles (GAAP) permit that internal service funds may be used "to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis." GAAP never requires the use of an internal service fund.

Internal service funds use the economic resources measurement focus and the accrual basis of accounting, similar to private-sector business enterprises. Costs relating to a given activity are accumulated so that they can be allocated to benefiting funds in the form of fees and charges.

Purpose of an Internal Service Fund

The purpose of an internal service fund is to measure the full cost of providing goods or services with the intent of fully recovering that cost, including some measure of the cost of capital assets, through user fees and charges. The use of an internal service fund is not appropriate for activities that a local educational agency (LEA) only partially intends to finance through fees and charges.

An internal service fund should be used only if the reporting LEA is the predominant participant in the internal service activity. If the LEA is not the predominant participant, the service is not "internal," and an enterprise fund should be used instead.

A surplus or a deficit in an internal service fund may indicate that the funds and programs benefiting from the internal service activity are being over- or undercharged for the costs of the goods or services they receive from the internal service activity.

Self-Insurance Fund

Self-insurance activities are subject to various statutory provisions found in *Education Code* Section 17566 and *Government Code* Section 53205 and to accounting standards found in Governmental Accounting Standards Board (GASB) Statements 10 and 30. An actuarial valuation of the annual cost of self-insured benefits is required at least every three years.

LEAs may establish separate funds for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code* Section 17566). If an LEA establishes

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more than one self-insurance fund, the LEA must roll these funds up to Fund 67, Self-Insurance Fund, when reporting data to CDE.

LEAs may also assign locally defined resource codes in the 0001–0999 range for their different self-insurance activities. The LEA must roll these resources up to Resource 0000, Unrestricted, when reporting to CDE.

Amounts contributed to a self-insurance fund are treated as expenditures of the fund from which the moneys are contributed and as revenue in the self-insurance fund. For example, a contribution from the general fund to a self-insurance fund for property and liability insurance should be recorded as an expenditure in the general fund using Object 5400, Insurance, and as revenue in the property and liability self-insurance fund using Object 8674, In-District Premiums/Contributions.

Sample Journal Entries

General Fund

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
11-30-xx	Insurance	01-0000-0-0000-7200-5400	\$3,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$3,000
To record payment of property and liability insurance premiums for November.				

Self-Insurance Fund

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
11-30-xx	Cash in County Treasury	67-0000-0-0000-0000-9110	\$3,000	
	In-District Premiums/Contributions	67-0000-0-0000-0000-8674		\$3,000
To record receipt of property and liability insurance premiums for November.				

Other expenditure accounts, descriptive of the type of insurance being provided, are used to record the expenditure in the fund that provides the contribution/premium.

For example, LEAs record a contribution from the general fund to a self-insurance fund for workers' compensation using the appropriate object and the same resource, goal, and function as the salaries of the individuals being insured:

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General Fund

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
11-30-xx	Workers' Comp. Insurance (Cert)	01-2430-0-3550-1000-3601	\$1,000	
	Workers' Comp. Insurance (Class)	01-2430-0-3550-2100-3602	\$1,000	
	Cash in County Treasury	01-2430-0-0000-0000-9110		\$2,000
To record payment of Work Comp insurance premiums for November.				

Self-Insurance Fund

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
11-30-xx	Cash in County Treasury	67-0000-0-0000-0000-9110	\$2,000	
	In-District Premiums/Contributions	67-0000-0-0000-0000-8674		\$2,000
To record receipt of Work Comp insurance premiums for November.				

Payments from the self-insurance fund for claims or judgments and payments to independent contractors for administrative services are recorded using Object 5800, Professional/Consulting Services and Operating Expenditures.

A trust account may be established for the payment of claims by a contracting firm. The balance in the trust account is recorded in the self-insurance fund in Object 9135, Cash with a Fiscal Agent/Trustee. Claims paid from the trust account are replenished by payments from the self-insurance fund in amounts equal to claims paid. These payments are recorded in the self-insurance fund in Object 5800.

The cost of excess insurance to provide coverage over and above self-insurance capabilities should be recorded as an expense of the self-insurance fund using Object 5450, Other Insurance.

Self-insurance activities are reported in Function 6000, Enterprise.

Self-Insurance Fund

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
11-30-xx	Other Insurance	67-0000-0-0000-6000-5450	\$1,500	
	Cash in County Treasury	67-0000-0-0000-0000-9110		\$1,500
To record the purchase of excess insurance to provide coverage over and above self-insurance capabilities.				

Measurement and Recognition of Expenses and Liabilities

LEAs that self-insure for workers' compensation, current year health and welfare benefits for active employees, and deductible property loss should

recognize claims expenses and liabilities in accordance with GASB Statements 10 and 30. Liabilities for claims, including liabilities for incurred but not reported (IBNR) claims, should be based on the total estimated cost of settling the claims, including claim adjustment costs, net of any estimated recoveries.

LEAs that self-insure for postemployment benefits other than pensions (OPEB) should recognize OPEB expenses and liabilities in accordance with GASB Statement 45. LEAs should report a net OPEB obligation (or asset) equal to the cumulative difference between annual OPEB cost and the LEA's employer contributions. The accounting for OPEB costs and employer contributions is discussed in Procedure 785.

Surpluses and Deficits in a Self-Insurance Fund

Amounts contributed to a self-insurance fund are lawfully restricted for that purpose (*Education Code* Section 17566 and *Government Code* Section 53205).

If amounts held in a self-insurance fund exceed amounts required as determined on an actuarial basis (a surplus), current and/or future contributions may be reduced by adjusting the rates used to charge the contributing funds.

If amounts charged by the self-insurance fund to the contributing funds do not recover the full cost of the self-insured benefits over a reasonable period of time, any deficit fund balance in the self-insurance fund should be charged back to the contributing funds by adjusting the rates used to charge those funds.

Warehouse Revolving Fund

Education Code sections 42830–42833 authorize and prescribe procedures for the establishment of a revolving warehouse stock fund, more commonly called the Warehouse Revolving Fund. Permission is also given for two or more LEAs to establish a common revolving fund for this purpose.

The Warehouse Revolving Fund is an internal service fund that may be used to account for all the costs of an LEA's warehousing operations, including the purchase of inventories and the costs of receiving, storing, and delivering them. Its use is optional. For additional discussion of inventories, see Procedure 405.

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The Warehouse Revolving Fund is reimbursed for all items furnished from warehouse stock to any office or school. The transactions of the warehouse revolving fund are to be conducted insofar as possible without a profit or loss and are accounted for on the accrual basis of accounting.

LEAs using the Warehouse Revolving Fund record the following in this fund:

1. The cost of the inventory.
2. The salaries and benefits of personnel working in the warehouse operation.
3. New acquisitions of land, building, and equipment for the warehouse. These items are recorded as capital assets and depreciated over their estimated useful lives.
4. The cost of other expenses for maintaining the warehouse, such as utilities, noncapitalized warehouse equipment, maintenance, and warehouse operation supplies.
5. Depreciation expense on buildings and equipment used for the warehouse.

Warehouse Revolving Fund activities are reported in Function 6000, Enterprise.

Sample Journal Entries

When inventory is purchased, the following entry is made:

Warehouse Revolving Fund

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
10-11-xx	Stores	66-0000-0-0000-0000-9320	\$25,000	
	Cash in County Treasury	66-0000-0-0000-0000-9110		\$25,000

To record purchase of inventory for the warehouse.

This entry increases an asset account for the purchase of inventory and reduces the cash account for the payment.

The cost of the inventory debited at the time of receipt of goods includes the total cost of the merchandise, including sales tax, postage, freight, and other charges.

When items are requisitioned from the warehouse by site, program, or department staff, the following entries are recorded:

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Warehouse Revolving Fund

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
11-30-xx	Cash in County Treasury	66-0000-0-0000-0000-9110	\$336	
	All Other Sales	66-0000-0-0000-0000-8639		\$336
	Materials and Supplies	66-0000-0-0000-6000-4300	\$300	
	Stores	66-0000-0-0000-0000-9320		\$300

To record the sale of items requisitioned from the warehouse, including overhead.

This entry increases the cash account, recognizes revenue from the sale of inventory items, reduces the inventory account, and records the cost of goods sold.

General Fund

<u>Date</u>	<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
11-30-xx	Materials and Supplies	01-0000-0-0000-8100-4300	\$336	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$336

To record the receipt of custodial supplies requisitioned from the warehouse, and payment by cash.

This entry recognizes the cost of custodial supplies received and payment by cash.

Note that LEAs using a warehouse revolving fund include a charge for overhead in the price of the goods charged to school sites, programs, or departments. In this example, the overhead charge is 12 percent (\$300 cost of goods sold + 12% = \$336). If the calculation of the overhead rate is reasonable, at the end of the year the amount of sales recorded in the Warehouse Revolving Fund will approximately equal the total costs incurred in that fund. The calculation of overhead is discussed in Procedure 405.

There are several accepted methods for determining the cost to be assigned to inventory requisitioned from the warehouse. These methods are discussed in Procedure 405.

The LEA should take a physical count of the inventory at least once a year. Procedures for conducting a physical inventory and adjusting the books to accurately reflect the physical inventory are provided in Procedures 410 and 405.

Postemployment benefits are benefits that employees earn during employment but take after employment has ended. They are part of the total compensation offered by employers to attract and retain the services of qualified employees. The most common example of postemployment benefits other than pensions (OPEB) is retiree health care.

This procedure discusses accounting standards relating to OPEB, matters relating to administration of federal and state categorical programs, and accounting for OPEB in the standardized account code structure (SACS). Additional information on implementation of OPEB accounting standards, effective dates, transition, and fiscal solvency issues can be found in CDE's letter of February 26, 2007, available on the CDE Web site at www.cde.ca.gov/fg/ac/co.

To ensure an understanding of the OPEB concepts discussed in this procedure, local educational agencies (LEAs) are encouraged to first review the definitions of key terms provided on page 785-29. For an in-depth understanding of OPEB accounting standards, LEAs should review Governmental Accounting Standards Board (GASB) Statements 45 and 43.

Definition of OPEB

OPEB includes any postemployment medical, dental, vision, and prescription benefits, whether administered through a defined benefit pension plan or separately. OPEB also includes any other nonpension and nonhealth care postemployment benefits that are administered outside a pension plan, such as life insurance, disability, long-term care, and legal services. OPEB refers to benefits for any former employees, not only retirees, including former employees on permanent disability.

OPEB does not include pension benefits or other nonhealth care postemployment benefits that are administered through a pension plan, or cash payments to retirees that may be used at the retiree's option to pay employee health care premiums. It does not include termination benefits such as retirement incentives unless the incentives involve changes to existing OPEB obligations. Generally, retirement incentives are considered inducements to terminate employment rather than compensation for employment.

Financial Reporting Requirements

The accounting standards by which governmental employers report their costs and obligations relating to OPEB are contained in GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45), and the related GASB Statement 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 43). LEAs that offer OPEB apply GASB 45, and established OPEB plan entities apply GASB 43.

GASB 45 requires that governmental employers recognize their accrual-basis costs and obligations relating to OPEB systematically over the eligible employees' years of service in the same manner as they do for pensions. GASB 45 does not require that OPEB obligations be funded.

In accrual-basis financial statements (government-wide statements, proprietary fund statements, and fiduciary fund statements), LEAs recognize OPEB expense equal to their accrual-basis annual OPEB cost, and a liability (or asset) known as the net OPEB obligation for the cumulative difference between their annual OPEB costs and amounts actually contributed. The net OPEB obligation is calculated from the date that the LEA implemented GASB 45. The net OPEB obligation begins at zero unless the LEA elected to recognize a liability retroactively at transition.

In modified accrual-basis financial statements (governmental fund statements), LEAs recognize OPEB expenditures to the extent of amounts actually funded, including any current liabilities (amounts expected to be liquidated with expendable available resources). LEAs do not recognize unfunded accrual-basis OPEB costs or long-term OPEB obligations in governmental fund statements.

Where an LEA's OPEB expenditures in governmental funds are not equal to its accrual-basis OPEB cost, a conversion entry is necessary when the government-wide statements are prepared.

In the notes to the financial statements, LEAs provide disclosures and required supplementary information (RSI) for each plan in which they participate. RSI includes a schedule of funding progress and a schedule of employer contributions. The schedule of funding progress compares the actuarial value of plan assets (AVA) with the actuarial accrued liability (AAL) and reflects any unfunded actuarial accrued liability (UAAL). The

schedule of employer contributions shows the LEA's annual required contributions and the percentage contributed.

Disclosures for more than one plan should be combined in a manner that avoids unnecessary duplication. LEAs need not present RSI if the OPEB plan issues its own separate financial statements or if the OPEB plan is included in the financial statements of another entity.

Because the AAL and the UAAL are actuarial liabilities, not accounting liabilities, both are disclosed in the notes to the financial statements, but neither is recognized in the financial statements. LEAs that fully fund their annual required contributions for OPEB each year thus report no OPEB liability in their financial statements, no matter how large their UAAL.

GASB 45 applies to any LEA that offers OPEB, regardless of how the OPEB are financed and regardless if OPEB are offered for only a limited period after employment ends, such as to age 65. GASB 45 applies to OPEB benefits administered through a defined benefit pension plan. It also applies to OPEB for retirees who pay for their own benefits but who pay a blended plan rate rather than an age-adjusted premium; the resulting implicit rate subsidy must be measured and reported as OPEB. Implicit rate subsidy is discussed on page 785-14.

OPEB Cost and Annual Required Contributions

The basic approach for measuring OPEB costs is to project the future cash outflows that will be needed to fund benefits based on the substantive plan (the terms of the existing plan as understood by the employer and members), discount those future cash flows to their present value, and allocate that present value to specific years of employee service. This approach is similar to how pension systems such as STRS and PERS calculate rates for pension contributions.

There are three situations in which no special calculation of OPEB cost is required, although the other provisions of Statements 43 and 45 still apply. These are defined contribution OPEB plans, insured defined benefit OPEB plans, and cost-sharing OPEB plans established as a trust or similar arrangement. In these three situations, the required contribution or premium is used as the measure of OPEB cost. As most LEAs do not have these types of plans, this procedure does not address them.

Annual Required Contributions

An annual required contribution, known as the ARC, is calculated periodically to estimate the amount necessary to fund the anticipated OPEB obligation. The ARC is also the basis for measurement of annual OPEB cost.

The ARC has two components: the normal cost relating to the current period, and the amortization of any unfunded liability for past service over a prescribed time period (see Amortization Period on page 785-6). The ARC is the actuarially determined level of employer contribution that would be necessary on a sustained, ongoing basis to meet OPEB obligations as they come due and to amortize any unfunded liability over a period not to exceed 30 years.

Where an employer fully contributes its ARC each year, annual OPEB cost is equal to the ARC. Where an employer does not fully contribute its ARC and a net OPEB obligation is created, or where an employer elected to recognize a liability at the time that it implemented GASB 45, the calculation of annual OPEB cost becomes more complicated.

Calculation of Annual OPEB Cost

Annual OPEB cost is the accrual-basis measure of the periodic cost of offering OPEB. It is the cost that is recognized in accrual-basis financial statements, regardless of amounts actually funded.

Normally, the ARC serves as the measure of annual OPEB cost. However, where a net OPEB obligation exists, the calculation of annual OPEB cost becomes more complicated because ARCs calculated in subsequent valuations include an amount for amortization of the past contribution deficiencies. Where a net OPEB obligation exists, the ARC must be adjusted in two ways before it can serve as a measure of OPEB cost:

- OPEB cost must be **increased** to reflect lost interest earnings on amounts not contributed, and
- OPEB cost must be **decreased** by amounts included in the subsequent calculation of the ARC to recapture, or amortize, the prior contribution deficiency. This second adjustment only becomes necessary once a subsequent valuation is performed.

Annual OPEB cost thus derives from, but is not necessarily equal to, the ARC. If these adjustments were not made, annual OPEB cost and the net

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OPEB obligation would be overstated by the amounts previously recognized in annual OPEB cost.

For example:

ARC in Year 1 = \$7,000
ARC in Year 2 = \$7,500
ARC in Year 3 = \$7,859

In Year 1, the employer fully contributes its ARC. There is no net OPEB obligation, so the ARC in Year 2 (\$7,500) is the measure of OPEB cost in Year 2.

In Year 2, the employer contributes only \$2,500, creating a net OPEB obligation of \$5,000. Prior to the creation of the net OPEB obligation, the ARC for Year 3 (\$7,859) would have served as the measure of OPEB cost, but the existence of the net OPEB obligation necessitates two adjustments.

1. OPEB cost must be increased for the lost interest earnings on the amount not contributed:

Net OPEB Obligation	\$5,000
Interest rate assumption	x .055
Increase to OPEB cost	\$ 275

2. Once a subsequent valuation is performed, OPEB cost must be decreased for the amount included in the subsequent calculation of the ARC for recapture of the prior contribution deficiency. The amortization factor used in the actuarial valuation to calculate the subsequent ARC is used for this adjustment (13.91 in this example).

Net OPEB Obligation	\$5,000
Amortization factor	÷ 13.91
Decrease to OPEB cost	\$ 359

Annual OPEB cost thus differs from the ARC:

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ARC	\$7,859
Increase for lost interest earnings	275
Decrease for portion of the ARC representing recapture, or amortization, of the prior contribution deficiency	(359)
OPEB cost	\$7,775

These two adjustments prevent accrual-basis OPEB costs that were recognized previously from being recognized again.

Fully funding the ARC in subsequent years would systematically eliminate the net OPEB obligation:

Employer's contribution based on ARC	\$7,859
OPEB cost	(7,775)
Reduction of net OPEB obligation	\$ 84

Amortization Period

The maximum period for amortization of the UAAL is 30 years. Within certain parameters, employers may use shorter periods if they wish.

GASB 45 allows either a closed or an open amortization period for amortization of the UAAL. CDE suggests that an open amortization period is appropriate for that portion of the UAAL arising from actuarial gains or losses, but that a closed amortization period is more prudent for portions of the UAAL arising from past underfunding of OPEB obligations or from increases in the level of benefits offered, because it takes substantially longer to amortize a liability using an open amortization period rather than a closed amortization period. However, the size of the liability and the implications for future solvency should be considered when it is time to choose which type of amortization to use.

Employer Contributions Defined

For purposes of calculating OPEB cost, employer contributions for OPEB are defined as any of the following irrevocable payments to outside parties:

- Payments of benefits to or on behalf of retirees or beneficiaries.
- Premium payments to an insurer (including any implicit rate subsidy).

- Irrevocable transfers of resources to a trust or equivalent arrangement in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

GASB 45 specifically precludes counting the following revocable actions as contributions:

- Designations of net assets of a governmental or proprietary fund to be used for OPEB.
- Internal transfers of assets to a separate governmental or proprietary fund for the same purpose.

These actions are regarded as earmarking of employer assets to reflect the employer's current intent to apply these assets to finance the cost of benefits at some time in the future and thus do not qualify as contributions. Consequently, even if an LEA earmarks an amount equal to its ARC each year, the LEA will report a net OPEB obligation in its accrual-basis financial statements. The liability will be offset by the earmarked assets, but both the liability and the asset are reported; the two are not netted.

Valuations

Although GASB 45 and GASB 43 are accounting standards, they require a significant number of actuarial calculations on which accounting entries and disclosures are based. LEAs must obtain a valuation of their OPEB obligations either every two or every three years, depending on the size of their plans.

LEAs with fewer than 100 plan members may use an alternative measurement method that does not require the services of an actuary. This nonactuarial method takes the same basic approach used in an actuarial validation but allows for certain simplified assumptions.

Frequency of Valuations

The required frequency of valuations depends on the number of members in the plan. Membership means eligible employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retirees and beneficiaries currently receiving benefits. A retired employee (or beneficiary) and a covered spouse or other dependent are counted as a single plan member for this purpose.

Total Plan Membership	Required Frequency
200 or more	Every two years
Fewer than 200 (including plans of fewer than 100 using the alternative measurement method)	Every three years

A new valuation is required sooner if significant changes affect the results of the valuation. Significant changes include changes in benefit provisions, such as the employer enhancing or curtailing benefits; changes in the covered population, such as the employer limiting or expanding eligibility; and other factors that impact long-term assumptions. Short-term investment fluctuations or differences between assumed and actual experience in a given year are not considered significant changes for this purpose.

A valuation is required for each plan. A plan might have different classes of members with different eligibility requirements and different benefit structures, but if plan assets can legally be used to pay benefits for any of the members, it is one plan for purposes of financial reporting. Where plan assets can be used to pay benefits only for certain members, there is more than one plan for purposes of financial reporting.

Timing of Valuations

The valuation date must be no earlier than 24 months before the start of the first year covered by the valuation. The valuation date need not be the same as the financial reporting date, but it should be approximately the same each valuation year. When scheduling a valuation, LEAs should allow sufficient turnaround time for the actuary to perform the valuation and sufficient lead time to include the resulting ARC in the coming year's budget if the LEA plans to do so.

Charging OPEB to Programs

In developing the guidance in this procedure, CDE consulted extensively with the United States Department of Education (ED) regarding the allowability of OPEB costs to federal programs. The following guidance represents the resulting agreements between the ED and CDE. This guidance applies to state and local programs as well.

“Funded” Defined

The ED emphasizes that to be allowable charges to federal programs, OPEB costs must be funded. Accrual-basis costs that are not actually funded are not allowable.

In contrast to the requirements of GASB 45, the ED does not require that funded amounts be contributed to an irrevocable trust, as long as the amounts funded can be used only for providing postemployment benefits to retirees and other beneficiaries. For example, where an LEA self-insures for OPEB benefits, self-insured OPEB premiums are allowable charges to federal programs. Procedure 775 contains guidance relating to self-insurance activities.

Interfund transfers and designations of fund balances are not expenditures for purposes of generally accepted accounting principles (GAAP) and are not allowable charges to programs.

Underlying Principles for Allowability of OPEB Costs to Federal Programs

Federal cost principles generally provide that costs that can be identified specifically with a particular program objective are allowable as direct costs of federal awards. Compensation of employees for time devoted specifically to a federal award is an allowable direct cost. Except as provided below, OPEB expenditures relating to eligible active employees should therefore be direct-charged to the program(s) in which the employee works, along with the employees' salary and other fringe benefits.

By contrast, OPEB expenditures relating to already retired employees represent costs that were not funded during the employees' years of service and that cannot be identified with any program objective now. These costs are simply overhead; that is, they are an obligation for which the LEA is liable but from which current programs derive no direct benefit. The ED agrees that federal programs may absorb a share of OPEB costs relating to retirees only if the costs are allocated to all activities, much like indirect costs, and only if the allocation base is as broad as possible.

Conditions of Allowability of OPEB Costs to Federal Programs

OPEB-eligible active employees: Federal cost principles provide that when OPEB costs are funded in accordance with an acceptable actuarial cost method, the initial unfunded liability attributable to prior years is allowable if amortized over a period of years in accordance with GAAP. An LEA's OPEB expenditures for amortization of the UAAL for eligible active employees are therefore potentially allowable as direct costs of federal awards, along with the normal cost for those employees.

However, the cost principles also provide that any cost must be reasonable and necessary for efficient performance of the program objectives. Where an LEA's expenditures for amortization of the UAAL for its OPEB-eligible active employees would be *unduly burdensome or distorting* if direct-charged to the employees' programs, the LEA may not direct-charge the amortization costs but rather must allocate them to all programs in the same manner as OPEB costs relating to retirees.

An example in which amortization costs for active employees would be distorting or unduly burdensome is an LEA whose OPEB-eligible employees have a high number of years of service and whose OPEB plan is largely unfunded. In this LEA, the amortization of the UAAL for OPEB-eligible active employees will likely be high in comparison with the normal costs for those employees and may be unduly burdensome if direct-charged to the programs in which those employees work. By contrast, in an LEA whose OPEB-eligible active employees have a low number of years of service or whose OPEB plan is largely funded, the amortization of the UAAL for OPEB-eligible active employees will likely be lower in comparison with the normal costs for those employees and is less likely to be unduly burdensome if direct-charged to the programs in which the employees work.

"Unduly burdensome" and "distorting" are subjective determinations that each LEA must make for itself. CDE suggests that as a general rule, where the amortization of the UAAL for OPEB-eligible active employees is no greater than the normal cost, it is reasonable to direct-charge the amortization cost to programs along with the normal cost.

In the interest of consistent cost treatment, amortization costs for active employees should either be direct-charged uniformly or allocated uniformly. LEAs should not direct-charge some and allocate others. Normal costs should always be direct-charged.

Already retired employees: OPEB expenditures relating to retirees, whether for current year benefits or for amortization of the unfunded liability, may only be allocated to programs and only in proportion to either total salaries or total FTEs in all activities.

The ED specifically denied any narrower allocation base. For example, OPEB expenditures relating to retirees may not be allocated to programs in proportion to only OPEB-eligible salaries or FTEs or in proportion to only health and welfare-eligible salaries or FTEs.

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OPEB expenditures relating to retirees may not be direct-charged to the program(s) in which the employee worked before retiring. For example, OPEB expenditures for a retired Title I employee may not be charged directly to Title I.

OPEB expenditures may not be charged to the general administration function for inclusion in the indirect cost pool, except for direct-charged costs for OPEB-eligible active employees who work in general administration activities and except for the share of allocated OPEB costs allocated to the general administration function.

Summary of Allowable OPEB Charges to Programs

The following tables summarize the agreements reached between the ED and CDE. In keeping with the principle of consistent cost treatment, this guidance applies equally to federal, state, and local programs.

Table 1: If LEA funds OPEB purely on pay-as-you-go basis, not based on an actuarial valuation

Group	OPEB Expenditure	Allowability
Retirees	Current year benefits	<ul style="list-style-type: none"> Allocate to all activities in proportion to total salaries or total full-time-equivalent positions (FTEs) in all activities

Table 2: If LEA funds OPEB on an actuarial basis

Group	OPEB Expenditure	Allowability
Retirees	Amortization of past unfunded liability for retirees	<ul style="list-style-type: none"> Allocate to all activities in proportion to total salaries or total FTEs in all activities
OPEB-eligible active employees	Normal or “service” cost	<ul style="list-style-type: none"> Direct charge as a fringe benefit on a per-eligible-FTE basis to program(s) to which each OPEB-eligible active employee’s salary is charged
OPEB-eligible active employees	Amortization of past unfunded liability for OPEB-eligible active employees	<ul style="list-style-type: none"> Direct charge as a fringe benefit on a per-eligible-FTE basis to program(s) to which each OPEB-eligible active employee’s salary is charged, to the extent that the amount charged is not unduly burdensome or distorting to the program(s) (see discussion on page 785-10); or Allocate to all activities in proportion to total salaries or total FTEs in all activities

For this purpose, “all activities” means any combination of fund, goal, and function, but not necessarily resource, to which any salaries or any FTEs are charged.

LEAs may choose not to charge allocable OPEB costs to a particular program resource, but they may not recover the costs allocable to that resource from another resource unless allowed by the other resource. For example, an LEA might choose not to charge Title IV its share of OPEB costs, but the LEA may not recover those same costs from Title I instead. However, the LEA could recover the costs from an allowable unrestricted resource.

For consistency in application of this guidance, once an LEA obtains an OPEB valuation based on an actuarial method recognized by GAAP, all of the LEA’s OPEB contributions may be considered to be in relation to that valuation; that is, they may be considered to be on an actuarial basis rather than on a pay-as-you-go basis. The LEA may then apply the guidance in Table 2 rather than the guidance in Table 1, regardless of whether the LEA has implemented GASB 45 and regardless of whether the LEA’s contributions are greater than, less than, or equal to current year benefits. All LEAs that have implemented GASB 45 will apply the guidance in Table 2.

The methodology for attributing contributions for amortization of the unfunded liability between retirees and active employees for purposes of charging these expenditures to programs is discussed in the following section.

Implications for Indirect Cost Rates and Administrative Cost Caps

OPEB costs relating to existing retirees are akin to indirect costs in the sense that it is appropriate to prorate them across all programs rather than to try to identify their benefit to any particular program. However, these costs are not administrative in character in the same sense that costs in the traditional pool of indirect administrative costs are. CDE and the ED agree that these costs should not be included in the traditional indirect cost pool and that they should not count toward administrative cost caps in programs where such caps exist. Indirect costs and their application to programs are discussed in Procedure 915.

Attributing OPEB Contributions to the Components of the ARC

Where an LEA’s OPEB contributions are equal to the ARC, the contributions apply to the components of the ARC as shown in the

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actuarial valuation. However, where an LEA's contributions are less than or greater than the ARC, it is necessary to attribute the contributions to the components of the ARC.

Contributions less than the ARC: Where the LEA contributes less than the ARC in any year, the contributions are attributed in proportion to the components of the ARC. For example, if the normal cost as shown in the actuarial valuation is 45 percent of the ARC and the amortization of the UAAL is 55 percent of the ARC, then 45 percent of the LEA's contribution is attributed to normal costs, and 55 percent is attributed to amortization.

The contributions attributed to amortization must be further attributed between amortization of the UAAL for retirees and amortization of the UAAL for active employees. This would require an assumption about the attribution of plan assets between retirees and active employees, for which there is no actuarial protocol, so LEAs should attribute their contributions for amortization of the UAAL between retirees and active employees in proportion to the ratio of the AAL for retirees to the AAL for active employees, both of which can be found in the actuarial valuation.

To illustrate:

$\frac{\text{AAL (Retirees only)}}{\text{AAL (total)}} \times \text{Amortization component of the ARC} \times \text{Percentage of the ARC funded} = \text{Amortization of the ARC for retirees}$
--

and,

$\frac{\text{AAL (OPEB-eligible active employees only)}}{\text{AAL (total)}} \times \text{Amortization component of the ARC} \times \text{Percentage of the ARC funded} = \text{Amortization of the ARC for OPEB-eligible active employees}$
--

Contributions greater than the ARC: Where the LEA contributes more than the ARC in any year, all amounts contributed in excess of the normal cost for that year must apply to the UAAL. The amounts applied to the UAAL are attributed between retirees and active employees in proportion to the ratio of the AAL for retirees to the AAL for active plan members, as described above.

Accounting for OPEB in the Standardized Account Code Structure

OPEB expenditures are reported in the 3700 range of object codes in the standardized account code structure (SACS):

- 3701 OPEB, Allocated, certificated positions
- 3702 OPEB, Allocated, classified positions
- 3751 OPEB, Active employees, certificated positions
- 3752 OPEB, Active employees, classified positions

Objects 3701–3702 are used for OPEB expenditures relating to retirees and other former employees. These expenditures must be allocated to all activities. Objects 3701–3702 may also be used for expenditures relating to amortization of the UAAL for OPEB-eligible active employees where these expenditures are allocated to all activities instead of direct-charged using objects 3751–3752.

Allocated OPEB expenditures must be allocated based on final actual total salaries or FTEs, not on budgeted, estimated, or projected figures.

Objects 3751–3752 are used for OPEB expenditures for normal costs for OPEB-eligible active employees. Objects 3751–3752 are also used for expenditures for amortization of the UAAL relating to OPEB-eligible active employees to the extent that these costs are not unduly burdensome or distorting to programs (see discussion on page 785-10). Where direct-charging the costs of amortization would be unduly burdensome or distorting to programs, the costs may be allocated to all programs using objects 3701–3702. Normal costs, however, must always be direct-charged.

Direct-charged costs for OPEB-eligible active employees should be charged on the basis of an equal amount per eligible FTE, similar to how current health and welfare benefits are charged. These costs are not proportional to salaries.

Implicit Rate Subsidy

Normally, health care costs can be expected to increase with age. Age-adjusted premiums reflect this. Where retirees pay for their own benefits but pay a blended plan rate rather than an age-adjusted premium, an implicit rate subsidy results, which must be measured and reported as OPEB.

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For example, assume that an LEA has 400 active employees and 100 retirees. Assume that the total quoted monthly premium for the 400 active employees is \$80,000 and the incremental cost for including the 100 retirees is \$40,000.

	Number	Total Monthly Premium	Age-Adjusted Premium
Active Employees	400	\$80,000	\$200/member
Retirees	100	\$40,000	\$400/member

But many employers use a *common* or *blended* premium. If the same assumptions are used, the blended premium is calculated as follows:

	Number	Total Monthly Premium	Blended Premium
Active Employees and Retirees	500	\$120,000	\$240/member

The blended premium for active employees is higher than the age-adjusted premium (\$240 blended premium compared with \$200 age-adjusted premium = \$40 difference). This creates an *implicit rate subsidy* of retirees, who pay less than they would using an age-adjusted premium (\$400 age-adjusted premium compared with \$240 blended premium = \$160 savings, or subsidy, per retiree).

Even if this subsidy is the only benefit that retirees receive, GASB 45 requires that it be measured and disclosed as OPEB. Since accrual-basis accounting is an effort to match costs with the periods benefited, if part of the premiums paid in the current period, apparently on behalf of active employees, really relates to previous periods when now-retired employees were working, the effort to match costs to periods is not achieved.

It can be seen from the following two illustrations that \$16,000 of the employer's contribution of \$96,000 actually represents a subsidy of retiree health care costs. Note that in both examples, retirees pay the blended premium of \$240.

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Illustration using blended premium:

	Active Employees	Retirees
Blended premium	\$ 240	\$ 240
Number of members	<u>x 400</u>	<u>x 100</u>
Total premiums	\$96,000	\$24,000
Less member contributions	<u>0</u>	<u>24,000</u>
Employer contribution	\$96,000	\$ 0

Illustration using age-adjusted premium:

	Active Employees	Retirees
Age-adjusted premium	\$ 200	\$ 400
Number of members	<u>x 400</u>	<u>x 100</u>
Total premiums	\$80,000	\$40,000
Less member contributions	<u>0</u>	<u>24,000</u>
Employer contribution	\$80,000	\$16,000

GASB 45 requires that this subsidy be included when future OPEB costs are projected and that it be reflected in accrual-basis financial statements as an employer contribution for OPEB rather than as a health care cost of the current period. GASB 45 provides for a conceivable exception for certain employers in community rated cost-sharing plans. “Community rated” is not the same as “blended,” the actuary will determine whether this exception applies.

The existence of an implicit rate subsidy does not require that LEAs change their accounting for health benefit expenditures in governmental funds and report any portion as OPEB contributions.

OPEB Accounting Illustrations

The following illustrations discuss the accounting for OPEB in seven different funding scenarios. Definitions of the terms and acronyms used in these illustrations are provided on page 785-29. For purposes of these illustrations, amounts and calculations have been deliberately simplified.

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)

Scenario 1: The LEA funds its OPEB obligations purely on a pay-as-you-go basis, not based on an actuarial valuation. The LEA’s OPEB expenditure is equal to current year benefits for already retired employees.

Note that as discussed on page 785-12, once an LEA implements GASB 45, Scenario 1 no longer applies. Whether the LEA changes its funding approach or not, the LEA will apply Scenario 4.

- Fund Accounting:

OPEB costs relating to already retired employees: Allocate to all activities in proportion to total salaries or total FTEs in all activities.

Current year benefits for already retired employees = \$38

LEA contribution = \$38

LEA chooses total salaries in all activities as its allocation base

Allocate \$38 across all activities, in proportion to total salaries in all activities, using Objects 3701 and 3702, OPEB-Allocated.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
Total							38	38

- Conversion Entry for Government-wide Financial Statements:

Until the LEA implements GASB 45, generally accepted accounting principles do not require recognition of OPEB, so no conversion entry is necessary.

- OPEB Trust Accounting:

Where there is no separate OPEB trust, no separate accounting is necessary.

Scenario 2: The LEA has fully prefunded its OPEB plan. Because there is no UAAL to amortize, the ARC is composed only of normal costs for OPEB-eligible active employees. The LEA contributes 100 percent of the ARC each year to an OPEB trust or equivalent arrangement. *Note:* Scenario 2 may be the least likely scenario, but an understanding of Scenario 2 is useful as a basis for understanding subsequent scenarios.

- Fund Accounting:

Normal cost for OPEB-eligible active employees: Direct-charge, on a per eligible-employee basis, as a fringe benefit to the program(s) to which each OPEB-eligible active employee's salary is charged, as follows:

$$\text{Employer contributions for normal cost} \div \text{total number of OPEB-eligible active FTE employees} \times \text{OPEB-eligible active FTE employees in each program} = \text{normal cost charged to each program}$$

Generally, the normal cost per eligible employee should be calculated by dividing the normal cost for the entire plan, or for each bargaining unit within that plan, by the total number of OPEB-eligible active FTE employees in the plan or the bargaining unit. Actuarial calculations are most meaningful when based on large populations, so calculating per eligible employee costs based on smaller populations, such as subgroups within a bargaining unit or especially on a per individual basis, can produce distorting results and should be avoided.

ARC = \$45

Normal cost = \$45

Amortization of UAAL = not applicable because plan is prefunded

For active employees = not applicable

For retirees = not applicable

Accrual-basis OPEB cost = \$45 (equal to the ARC; no adjustments are necessary)

Current year benefits for already retired employees = \$38 (but this is not applicable because benefits are provided for in the ARC and paid by the OPEB trust)

LEA contribution = \$45

In this illustration, it is assumed that only certificated employees are eligible for OPEB.

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Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
Total							45	45

- Conversion Entry for Government-wide Financial Statements:

Since the LEA contributes 100 percent of its ARC and the annual OPEB cost in this illustration is equal to the ARC, no conversion entry is necessary.

- OPEB Trust Accounting:

A separate OPEB trust might or might not be reported within the LEA’s financial statements, depending on the nature of the trust and its relationship to the LEA. If the trust is required to be reported in the LEA’s financial statements pursuant to GASB Statement 14 or 39, the LEA will report the trust’s activity in Fund 71.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
71	9010	0	0000	0000	9110	Cash in County Treasury	xx	
71	9010	0	0000	0000	8xxx	Contributions from Employers		xx
Total							45	45

Scenario 3: The LEA has an unfunded or partially funded plan. The ARC is composed of normal costs for OPEB-eligible active employees plus amortization of the UAAL for both OPEB-eligible active employees and retirees. The LEA contributes 100 percent of the ARC each year to a separate OPEB trust or equivalent arrangement.

- Fund Accounting:

Normal cost for OPEB-eligible active employees: Direct-charge as described in Scenario 2.

Amortization of the UAAL for retirees: Allocate to all activities as described in Scenario 1.

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Amortization of the UAAL for OPEB-eligible active employees:
 Direct-charge as a fringe benefit on a per OPEB-eligible active FTE employee basis to the program(s) to which each OPEB-eligible active employee's salary is charged as described in Scenario 2 to the extent that the costs are neither distorting nor unduly burdensome to those programs (see discussion on page 785-10). Where the costs would be distorting or unduly burdensome to those programs, allocate the costs to all activities as described in Scenario 1.

ARC = \$100

Normal cost = \$45

Amortization of UAAL = \$55

For active employees = \$22 (40 percent of amortization component)

For retirees = \$33 (60 percent of amortization component)
 (For attribution of OPEB expenditures between normal costs, amortization of the UAAL for retirees, and amortization of the UAAL for active employees, see page 785-12)

Accrual-basis OPEB cost = \$100 (equal to the ARC; no adjustments are necessary)

Current year benefits for already retired employees = \$38
 (but this is not applicable because benefits are provided for in the ARC and paid by the OPEB trust)

LEA contribution = \$100

Either direct-charge \$67 (\$45 + \$22) on a per-OPEB-eligible active FTE employee basis to programs employing OPEB-eligible active employees, and allocate \$33 to all activities:

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
Total							67	67

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
Total							33	33

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Or direct-charge \$45 on a per OPEB-eligible active FTE employee basis to programs employing OPEB-eligible active employees, and allocate \$55 (\$33 + \$22) to all activities.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
Total							45	45

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
Total							55	55

- **Conversion Entry for Government-wide Financial Statements:**

Since the LEA contributes 100 percent of its ARC and the annual OPEB cost in this illustration is equal to the ARC, no conversion entry is necessary.

- **OPEB Trust Accounting:**

A separate OPEB trust might or might not be reported within the LEA's financial statements, depending on the nature of the trust and its relationship to the LEA. If the trust is required to be reported in the LEA's financial statements pursuant to GASB Statement 14 or 39, the LEA will report the trust's activity in Fund 71.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
71	9010	0	0000	0000	9110	Cash in County Treasury	100	
71	9010	0	0000	0000	8xxx	Contributions from Employers		100
Total							100	100

Scenario 4: LEA has an unfunded or partially funded plan. The ARC is composed of normal costs for OPEB-eligible active employees plus amortization of the UAAL for both OPEB-eligible active employees and retirees. The LEA contributes an amount less than the ARC each year to a separate OPEB trust or equivalent arrangement. In this illustration, the LEA contributes 78 percent of the ARC.

Note that Scenario 4 also applies to any LEA that formerly used Scenario 1 but has since implemented GASB 45, whether the LEA changes its funding approach or not.

- Fund Accounting:

Normal cost for OPEB-eligible active employees: Direct-charge as described in Scenario 2.

Amortization of the UAAL for retirees: Allocate to all activities as described in Scenario 1.

Amortization of the UAAL for OPEB-eligible active employees: Direct-charge as a fringe benefit on a per-OPEB-eligible active FTE employee basis to the program(s) to which each OPEB-eligible active employee's salary is charged as described in Scenario 2 to the extent that the costs are neither distorting nor unduly burdensome to those programs (see discussion on page 785-10). Where the costs would be distorting or unduly burdensome to those programs, allocate the costs to all activities as described in Scenario 1.

ARC = \$100

Normal cost = \$45

Amortization of UAAL = \$55

 For active employees = \$22 (40 percent of amortization component)

 For retirees = \$33 (60 percent of amortization component)
(For attribution of OPEB expenditures between normal costs, amortization of the UAAL for retirees, and amortization of the UAAL for active employees, see page 785-12)

Accrual-basis OPEB cost = \$100 (for purposes of illustration, adjustments are ignored)

Current year benefits for already retired employees = \$38 (but this is not applicable because benefits are provided for in the ARC and paid by the OPEB trust)

LEA contribution = \$78

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Either direct-charge \$52 (($\$45 + \22) x 78%) on a per-OPEB-eligible active FTE employee basis to programs employing OPEB-eligible active employees, and allocate \$26 (the remainder) to all activities:

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
Total							52	52

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
Total							26	26

Or direct-charge \$35 ($\45 x 78%) on a per-OPEB-eligible active FTE employee basis to programs employing OPEB-eligible active employees, and allocate \$43 (the remainder) to all activities.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
Total							35	35

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
Total							43	43

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- Conversion Entry for Government-wide Financial Statements:

The LEA must debit expense by function for the difference between annual OPEB cost and amounts contributed, and credit the Net OPEB Obligation account for the resulting liability (\$100 OPEB cost less \$78 contributed = \$22 net OPEB obligation).

Conversion Entry CE021:	Debit	Credit
Expenses (by function)	22	
Net OPEB obligation		22
To recognize the OPEB obligation (asset) resulting from the difference between annual OPEB cost on the accrual basis and contributions recognized in governmental funds		

- OPEB Trust Accounting:

A separate OPEB trust might or might not be reported within the LEA’s financial statements, depending on the nature of the trust and its relationship to the LEA. If the trust is required to be reported in the LEA’s financial statements pursuant to GASB Statement 14 or 39, the LEA will report the trust’s activity in Fund 71.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
71	9010	0	0000	0000	9110	Cash in County Treasury	78	
71	9010	0	0000	0000	8xxx	Contributions from Employers		78
Total							78	78

Scenario 5: The LEA makes a lump-sum contribution, substantially greater than the ARC, to a separate OPEB trust or equivalent arrangement.

- Fund Accounting:

Where an LEA contributes substantially more than the ARC in a given year, the portion of the contribution in excess of the normal cost for that year applies to the UAAL (see page 785-12).

Normal cost for OPEB-eligible active employees: Direct-charge as described in Scenario 2.

Amortization of the UAAL for retirees: Except as provided in the Note to Scenario 5 following, allocate to all activities as described in Scenario 1.

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Amortization of the UAAL for OPEB-eligible active employees:
 Except as provided in the Note to Scenario 5 following, allocate to all activities as described in Scenario 1. For this illustration, it is assumed that the portion of the contribution relating to amortization of the UAAL for OPEB-eligible active employees would be distorting and unduly burdensome if direct-charged to programs.

ARC = \$100

Normal cost = \$45

Amortization of UAAL = \$55

For active employees = \$22 (40 percent of amortization component)

For retirees = \$33 (60 percent of amortization component)
 (For attribution of OPEB expenditures between normal costs, amortization of the UAAL for retirees, and amortization of the UAAL for active employees, see page 785-12)

Accrual-basis OPEB cost = \$100 (for purposes of this illustration, adjustments are ignored)

Current year benefits for already retired employees = \$38 (but this is not applicable because benefits are provided for in the ARC and paid by the OPEB trust)

LEA contribution = \$5,000

Direct-charge \$45 on a per OPEB-eligible active FTE employee basis to programs employing OPEB-eligible active employees, and allocate \$4,955 (the remainder) to all activities.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
Total							45	45

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
Total							4,955	4,955

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)

- Conversion Entry for Government-wide Financial Statements:

The LEA must credit expense by function for the difference between annual OPEB cost and amounts contributed, and debit the Net OPEB Obligation account for the resulting asset (\$100 OPEB cost less \$5,000 contributed = \$4,900 net OPEB asset).

Conversion Entry CE021:	Debit	Credit
Net OPEB obligation (asset)	4,900	
Expenses (by function)		4,900
To recognize the OPEB obligation (asset) resulting from the difference between annual OPEB cost on the accrual basis and OPEB contributions recognized in governmental funds		

- OPEB Trust Accounting:

A separate OPEB trust might or might not be reported within the LEA’s financial statements, depending on the nature of the trust and its relationship to the LEA. If the trust is required to be reported in the LEA’s financial statements pursuant to GASB Statement 14 or 39, the LEA will report the trust’s activity in Fund 71.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
71	9010	0	0000	0000	9110	Cash in County Treasury	5,000	
71	9010	0	0000	0000	8xxx	Contributions from Employers		5,000
Total							5,000	5,000

Note to Scenario 5: In the unusual situation where a lump-sum contribution consists of amounts that were recorded as expenditures in the past but that remained in the LEA’s possession (for example, amounts accumulated in a fiduciary trust fund before GASB Statement 34 narrowed the definition of fiduciary funds), the amounts previously recorded as expenditures should not be recorded as expenditures again. These amounts should be recorded as a debit to Object 7299, All Other Transfers Out to All Others, rather than as an operating expenditure of any kind.

Scenario 6: LEA self-insures for its employee health and welfare costs, including OPEB (see Procedure 775 for guidance on self-insurance activities). The LEA assesses self-insurance premiums for OPEB equal to 100 percent of the ARC but pays them to its self-insurance fund rather than to a separate OPEB trust or equivalent arrangement. The self-insured premiums are allowable expenditures for purposes of charging programs, but they are not employer contributions for purposes of GASB 45.

- Fund Accounting:

Normal cost for OPEB-eligible active employees: Direct-charge as described in Scenario 2.

Amortization of the UAAL for retirees: Allocate to all activities as described in Scenario 1.

Amortization of the UAAL for OPEB-eligible active employees: Direct-charge as a fringe benefit on a per OPEB-eligible active FTE employee basis to the program(s) to which each OPEB-eligible active employee's salary is charged as described in Scenario 2 to the extent that the costs are neither distorting nor unduly burdensome to those programs (see discussion on page 785-10). Where the costs would be distorting or unduly burdensome to those programs, allocate the costs to all activities as described in Scenario 1.

ARC = \$100

Normal cost = \$45

Amortization of UAAL = \$55

For active employees = \$22 (40 percent of amortization component)

For retirees = \$33 (60 percent of amortization component)
(For attribution of OPEB expenditures between normal costs, amortization of the UAAL for retirees, and amortization of the UAAL for active employees, see page 785-12)

Accrual-basis OPEB cost = \$100 (for purposes of this illustration, adjustments are ignored)

Current year benefits for already retired employees = \$38 (but this is not applicable because benefits are provided for in the ARC and paid by the self-insurance fund)

LEA pays self-insurance premiums = \$100

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)

In this illustration, assume that amortization costs for OPEB-eligible active employees are direct-charged to programs.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
Total							67	67

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
Total							33	33

- **Conversion Entry for Government-wide Financial Statements:**

For purposes of GASB 45, the LEA's employer contribution is the \$38 expended by the self-insurance fund for current year benefits. However, since the self-insurance fund is reported on the accrual basis and the LEA will recognize the \$100 annual OPEB cost and the \$62 net OPEB obligation in that fund, no conversion entry is needed.

- **OPEB Trust Accounting:**

Where there is no separate OPEB trust, no separate accounting is necessary.

Scenario 7: In addition to its expenditure for current year benefits for retirees as described in Scenario 1, the LEA earmarks assets for future costs of OPEB but does not contribute them irrevocably to a separate OPEB trust or similar arrangement. The LEA retains the ability to redirect the accumulated assets toward another use.

- **Fund Accounting:**

Accumulate the earmarked assets as a designation of fund balance in the General Fund (Fund 01), the Special Reserve Fund (Fund 17), or the Special Reserve for Postemployment Benefits

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)

(Fund 20). Pursuant to *Education Code* sections 42840 and 42842, assets may be transferred to Fund 17 or Fund 20 using an interfund transfer and must be transferred back to the General Fund for expenditure.

Charge OPEB expenditures, when paid, as described in the applicable previous scenario. Do not charge expenditure accounts in any program at the time the assets are earmarked.

- Conversion Entry for Government-wide Financial Statements:

The LEA must debit expense by function for the difference between annual OPEB cost and amounts contributed, and credit the Net OPEB Obligation account for the resulting liability (\$100 OPEB cost less \$38 contributed = \$62 net OPEB obligation).

Conversion Entry CE021:	Debit	Credit
Expenses (by function)	62	
Net OPEB obligation		62
To recognize the OPEB obligation (asset) resulting from the difference between annual OPEB cost on the accrual basis and contributions recognized in governmental funds		

- OPEB Trust Accounting:

Where there is no separate OPEB trust, no separate accounting is necessary.

Definitions of Key Terms

Actuarial Accrued Liability (AAL). That portion of the Actuarial Present Value of Total Projected Benefits (APVTPB) not provided for by future normal costs. The AAL can be thought of as the value of OPEB benefits already earned in exchange for employees' past service. If a plan has been systematically funded by the employer since inception, the accumulated plan assets will theoretically be equal to the AAL.

Actuarial Present Value of Total Projected Benefits (APVTPB). The total projected costs to finance benefits payable in the future based on members' service through the valuation date and their future service, discounted to reflect the expected effects of the time value of money. It is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to

pay the total projected benefits when due. The APVTPB is used to calculate the Annual Required Contributions (ARC).

Actuarial Value of Assets (AVA). The value of cash, investments, and other property belonging to the OPEB plan, as used by the actuary for the purpose of a valuation (also see Plan Assets).

Annual OPEB Cost. An accrual-basis measure of an employer's periodic cost of offering OPEB.

Annual Required Contributions (ARC). The ARC is the actuarially-determined level of employer contribution that would be required on a sustained, ongoing basis to fund the normal cost and to amortize the Unfunded Actuarial Accrued Liability (UAAL) attributed to past service over a period not to exceed 30 years. It is the amount needed to pay benefits as they come due plus amortize the UAAL. The ARC has two components: normal cost and amortization of the UAAL for both active employees and retirees. If an employer funds less (or more) than the ARC, the difference is a liability (or asset) known as the net OPEB obligation.

Closed Amortization Period (Closed Basis). A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is 30 years on a closed basis, 29 years remain after the first year, 28 years after the second year, and so forth. With this method, the entire liability would be fully amortized at the end of 30 years. The closed amortization period is most commonly used in mortgage lending. In contrast, an open amortization period (open basis) is one that begins again or is recalculated each time a new actuarial valuation is performed. Within a maximum number of years specified by law or policy (for example, 30 years), the period may increase, decrease, or remain stable. With this method, the liability would be reduced over time, but it would take much longer to amortize it fully because the amortization period would start over at every valuation. The open amortization period is most commonly used in consumer lending such as credit cards.

Employer's Contributions. Contributions made for OPEB in relation to the ARC. An employer has made a contribution in relation to the ARC if the employer has:

- Made payments of benefits directly to or on behalf of a retiree or beneficiary, or
- Made premium payments to an insurer, or
- Irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing

benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator

Assets that employers merely set aside, or earmark, for future benefits do not qualify as contributions for purposes of GASB 45; the employer would still report a net OPEB obligation.

Implicit Rate Subsidy. The difference between the premium rate for active employees alone and the blended rate used for all members, including retirees, rather than an age-adjusted premium.

Insured Benefits. An OPEB financing arrangement in which premiums are paid to an insurer while employees are in active service, in exchange for which the insurer unconditionally assumes the obligation to pay the postemployment benefits in accordance with the terms of the OPEB plan.

Net OPEB Obligation (or asset). The cumulative difference between annual OPEB cost in relation to the ARC and the employer's contributions. The net OPEB obligation is reported as a liability (or asset) in the accrual-basis financial statements.

Normal Cost. That portion of the APVTPB that is allocated to each valuation year by an actuarial cost method. Under most actuarial methods, normal cost can be thought of as the cost for OPEB being earned by employees in exchange for services now. An employer that has even one OPEB-eligible active employee will have a normal cost each year.

OPEB-Eligible Active Full-Time-Equivalent (FTE) Employees. Active employees who are potentially eligible for future postemployment benefits, whether vested or not.

OPEB Plan. GASB 45 and GASB 43 use the term "OPEB plan" differently. For purposes of GASB 43, an OPEB plan is an entity distinct from the employer, such as a trust, through which OPEB benefits are financed and administered. This distinction is similar to the distinction between employers and pension plans. In this context, "plan" is limited to situations in which benefits are advance-funded. For purposes of Statement 45, the term "OPEB plan" is broader in scope. It encompasses all situations in which employers provide OPEB to their employees, regardless of how the benefits are financed. In this context, an OPEB plan refers to "all benefits to be provided to plan members or beneficiaries in accordance with the current substantive plan (the plan terms as understood by the employer and plan members)."

Open Amortization Period (Open Basis). See Closed Amortization Period.

Pay-As-You-Go. A method of financing an OPEB or pension plan under which the contributions to the plan are generally made at about the same time and in about the same amount as retiree benefit payments and expenses coming due. In practice, employers that finance OPEB on a pay-as-you-go basis typically make payments directly to a provider; usually they do not have an established plan entity such as a trust.

Plan Assets. Resources that have been segregated and restricted in a trust or an equivalent arrangement in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer(s) or plan administrator for the payment of benefits in accordance with the terms of the plan. Assets earmarked by employers for OPEB are employer assets, not plan assets.

Plan Liabilities. Obligations payable by the plan at the reporting date including, primarily, benefits and refunds due and payable to plan members and beneficiaries, and accrued investment and administrative expenses. Plan liabilities do not include actuarial accrued liabilities for benefits that are not due and payable at the reporting date.

Substantive Plan. See OPEB Plan.

Unfunded Actuarial Accrued Liability (UAAL). The excess of the Actuarial Accrued Liability (AAL) over the Actuarial Value of Assets (AVA). The UAAL can derive from three sources: unfunded past normal costs, actuarial gains and losses (differences between actuarial assumptions and actual experience), and changes to the level of benefits promised.

The *California School Accounting Manual (CSAM)* provides guidance on generally accepted accounting principles (GAAP) for all local educational agencies (LEAs) as well as specific guidance for LEAs in California. Section 15071 of *Title 5 of the California Code of Regulations* requires that charter schools follow the guidelines in *CSAM*, to the extent the guidelines apply, for reporting of financial data. Much of the guidance in *CSAM* is relevant to charter schools.

GAAP for Charter Schools

Governmental agencies such as traditional school districts and county offices of education use the governmental fund accounting model and the modified accrual basis of accounting for their governmental activities. Charter schools that are governmental use this basis of accounting. The authoritative source of GAAP for this model is the Governmental Accounting Standards Board (GASB).

Not-for-profit charter schools approved under *Education Code* Section 47604 that operate as or are operated by a nonprofit public benefit corporation pursuant to Section 501(c) (3) of the *Internal Revenue Code* typically use the not-for-profit accounting model and the accrual basis of accounting. The authoritative source of GAAP for this model is the Financial Accounting Standards Board (FASB).

The not-for-profit model more closely resembles private-sector (for-profit) accounting than governmental fund accounting. Nongovernmental not-for-profit entities using this model present external financial statements consisting of a statement of financial position, a statement of activities, a statement of cash flows, and notes to the financial statements.

Governmental fund accounting and the differences between the accrual and the modified accrual bases of accounting are discussed in Procedure 101, Governmental Accounting.

Reporting Charter School Financial Data to CDE

Pursuant to *Education Code* Section 42100, all LEAs, including charter schools, must report their unaudited actual financial data to the California Department of Education (CDE).

The decision as to whether a charter school should report to CDE as part of its authorizing LEA or separately should be based on whether the

charter school is a part of the LEA or a separate reporting entity for purposes of GAAP. Authoritative guidance on the reporting entity is contained in GASB statements 14 and 39. A charter school that is the same reporting entity as its authorizing LEA, as defined by GAAP, will be included in the LEA's financial statements and will typically report to CDE as part of the LEA. A charter school that is a separate reporting entity, as defined by GAAP, will issue its own financial statements that are separate from those of its authorizing LEA and will typically report separately to CDE as well.

Reporting Formats

Charter data may be reported in either the standardized account code structure (SACS) format or in the alternative format for charter schools approved by the State Board of Education and titled the Charter School Unaudited Actuals Financial Report—Alternative Form (hereafter referred to as the Alternative Form). Charter schools are encouraged to discuss the reporting options with their authorizing agencies and their independent auditors before choosing a format.

Regardless of the format used, the data submitted for each charter school must be a complete report of all of the charter school's financial operations, including beginning balances, revenues, expenditures (or expenses), and ending balances.

Using SACS for Charter School Financial Reporting

The main operating funds available for charter schools reporting in SACS are:

- General Fund (Fund 01) (modified accrual basis of accounting): For charter schools reporting separately from the authorizing LEA and for charter schools reporting as part of the LEA within the LEA's general fund.
- Charter Schools Special Revenue Fund (Fund 09) (modified accrual basis of accounting): For charter schools reporting as part of the authorizing LEA but reported outside of the LEA's general fund.
- Charter Schools Enterprise Fund (Fund 62) (accrual basis of accounting): For charter schools using the not-for-profit reporting model reporting either as part of the authorizing LEA or separately.

Only one main operating fund should be reported.

If a charter school reporting in Fund 01 uses additional funds, the charter school must report those funds in addition to their main operating fund.

If Fund 62 is used for any of a charter school's activities, it should be used for all of the charter school's activities. Note that fund accounting is inconsistent with the not-for-profit financial reporting model, so in this case Fund 62 serves as a financial statement for purposes of reporting to CDE rather than as a fund.

Costs reported in Fund 62 should include the function most descriptive of the activity being performed (e.g., instruction, pupil services, enterprise, plant services) rather than charging all costs to Function 6000, Enterprise, which is normally done in an enterprise fund.

Regardless of the basis of accounting, charter school financial reporting will typically be simpler than such reporting for traditional school districts because charter schools receive block grant funding in lieu of many individual categorical funds and typically operate fewer instructional programs. As with any other LEA, charter schools need use only what is necessary, required, and applicable to them. For guidance in using SACS, charter schools are encouraged to refer to applicable sections and procedures in this manual.

Using the Alternative Form for Annual Financial Reporting

Charter schools using the Alternative Form for financial reporting are encouraged to set up their accounts to align with the Alternative Form. A list of accounts that correspond to the Alternative Form is presented at the end of this procedure. Written definitions of each of the accounts (objects) can be found in Procedure 330.

Charter schools using the Alternative Form for financial reporting must use the spreadsheet version provided by CDE, and the county office of education must submit the data to CDE electronically. Because of the brevity of the form, additional data necessary for compliance or other calculations may have to be submitted separately.

The Alternative Form allows for either the modified accrual basis of accounting used by governmental agencies or the accrual basis of accounting normally used by not-for-profit entities. Regardless of the basis of accounting, charter schools using the Alternative Form report all financial data on the form, using one basis of accounting or the other. The

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data submitted for each charter school must be a complete report of the charter school's financial operations, including beginning balances, revenues, expenditures (or expenses), and ending balances.

If a charter school maintains more than one fund in its own accounting system and uses the Alternative Form for reporting to CDE, it should consolidate all the financial data from all its funds on the Alternative Form.

For an Alternative Form, user's guide, and additional information about financial reporting, visit the following Web site:
<http://www.cde.ca.gov/fg/sf/fr>.

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Listing of Codes for the Charter School Alternative Form

The following codes from the Charter School Unaudited Actuals Financial Report Alternative Form (Alternative Form) correspond to the SACS object codes described in Procedure 330.

The following codes are generally listed in the same order as they appear on the Alternative Form. Because of block granting of charter school funds, there are many more codes listed than most charter schools will need. (For more information about the object codes and their definitions, refer to Procedure 330.)

<u>Code</u>	<u>Title</u>
8000–8999	REVENUES AND OTHER FINANCING SOURCES
8000–8799	Revenues
8010–8099	Revenue Limit Sources
8010–8019	Principal Apportionment
8011	State Aid—Current Year
8015	Charter Schools General Purpose Entitlement—State Aid
8019	State Aid—Prior Years
8020–8039	Tax Relief Subventions (for revenue limit funded schools)
8021	Homeowners' Exemptions
8022	Timber Yield Tax
8029	Other Subventions/In-Lieu Taxes
8040–8079	County and District Taxes (for revenue limit funded schools)
8041	Secured Roll Taxes
8042	Unsecured Roll Taxes
8043	Prior Years' Taxes
8044	Supplemental Taxes
8045	Education Revenue Augmentation Fund (ERAF)
8047	Community Redevelopment Funds
8048	Penalties and Interest from Delinquent Taxes
8070	Receipts from County Board of Supervisors (County School Service Fund [CSSF] only)
8080–8089	Miscellaneous Funds (for revenue limit funded schools)
8081	Royalties and Bonuses
8082	Other In-Lieu Taxes
8089	Less: Non-Revenue Limit (50 Percent) Adjustment
8090–8099	Revenue Limit Transfers (for revenue limit funded schools)
8092	PERS Reduction Transfer
8096	Transfers to Charter Schools in Lieu of Property Taxes
8091	Revenue Limit Transfers—Current Year
8097	Property Tax Transfers
8099	Revenue Limit Transfers—Prior Years

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<u>Code</u>	<u>Title</u>
8100–8299	Federal Revenue
8290	No Child Left Behind
8181	Special Education—Federal (Entitlement)
8182	Special Education—Federal (Discretionary Grants)
8220	Child Nutrition Programs (Federal)
	Other Federal Revenue
8110	Maintenance and Operations (Federal Impact Aid)
8260–8299	Other Federal Revenue
8260	Forest Reserve Funds
8270	Flood Control Funds
8280	U.S. Wildlife Reserve Funds
8281	FEMA
8285	Interagency Contracts Between LEAs
8287	Pass-Through Revenues from Federal Sources
8300–8599	Other State Revenue
8480	Charter Schools Categorical Block Grant
	Special Education—State
	All Other State Revenue
8311	Other State Apportionments—Current Year
8319	Other State Apportionments—Prior Years
8425	Year-Round School Incentive
8434	Class Size Reduction, Grades K–3
8435	Class Size Reduction, Grade Nine
8520	Child Nutrition
8530	Child Development Apportionments
8540	Deferred Maintenance Allowance
8545	School Facilities Apportionments
8550	Mandated Cost Reimbursements
8560	State Lottery Revenue
8571	Voted Indebtedness Levies, Homeowners' Exemptions
8572	Voted Indebtedness Levies, Other Subventions/In-Lieu Taxes
8575	Other Restricted Levies, Homeowners' Exemptions
8576	Other Restricted Levies, Other Subventions/In-Lieu Taxes
8587	Pass-Through Revenues from State Sources
8590	All Other State Revenue

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<u>Code</u>	<u>Title</u>
8600–8799	Other Local Revenue
	All Other Local Revenue
8611	Voted Indebtedness Levies, Secured Roll
8612	Voted Indebtedness Levies, Unsecured Roll
8613	Voted Indebtedness Levies, Prior Years' Taxes
8614	Voted Indebtedness Levies, Supplemental Taxes
8615	Other Restricted Levies, Secured Roll
8616	Other Restricted Levies, Unsecured Roll
8617	Other Restricted Levies, Prior Years' Taxes
8618	Other Restricted Levies, Supplemental Taxes
8621	Parcel Taxes
8622	Other Non-Ad Valorem Taxes
8625	Community Redevelopment Funds Not Subject to Revenue Limit Deduction
8629	Penalties and Interest from Delinquent Non-Revenue Limit Taxes
8631	Sale of Equipment and Supplies
8632	Sale of Publications
8634	Food Service Sales
8639	All Other Sales
8650	Leases and Rentals
8660	Interest
8662	Net Increase (Decrease) in the Fair Value of Investments
8671	Adult Education Fees
8672	Nonresident Student Fees
8673	Child Development Parent Fees
8674	In-District Premiums/Contributions
8675	Transportation Fees from Individuals
8677	Interagency Services Between LEAs
8681	Mitigation/Developer Fees
8689	All Other Fees and Contracts
8691	Plus: Miscellaneous Funds Non-Revenue Limit (50 Percent) Adjustment
8697	Pass-Through Revenue from Local Sources
8699	All Other Local Revenue
8710	Tuition
8780	Transfers from Sponsoring LEAs to Charter Schools in Lieu of Property Taxes (Obsolete)
8781	All Other Transfers from Districts or Charter Schools
8782	All Other Transfers from County Offices
8783	All Other Transfers from JPAs
8791	Transfers of Apportionments from Districts or Charter Schools
8792	Transfers of Apportionments from County Offices

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<u>Code</u>	<u>Title</u>
8793	Transfers of Apportionments from JPAs
8799	Other Transfers In from All Others
1000–7999	EXPENDITURES AND OTHER FINANCING USES
1000–7499	Expenditures
1000–1999	Certificated Personnel Salaries (for positions that require a credential or permit)
1100	Certificated Teachers' Salaries
1200	Certificated Pupil Support Salaries
1300	Certificated Supervisors' and Administrators' Salaries
1900	Other Certificated Salaries
2000–2999	Noncertificated Salaries (for positions that do not require a credential or permit)
2100	Noncertificated Instructional Salaries
2200	Noncertificated Support Salaries
2300	Noncertificated Supervisors' and Administrators' Salaries
2400	Clerical, Technical, and Office Staff Salaries
2900	Other Noncertificated Salaries
3000–3999	Employee Benefits (Employers' contributions to retirement plans and health and welfare benefits. Codes ending in 1 indicate benefits paid to personnel in certificated positions, and codes ending in 2 indicate those paid to personnel in noncertificated positions.)
3101–3102	State Teachers' Retirement System
3201–3202	Public Employees' Retirement System
3301–3302	OASDI/Medicare/Alternative
3401–3402	Health and Welfare Benefits
3501–3502	Unemployment Insurance
3601–3602	Workers' Compensation Insurance
3701–3702	OPEB, Allocated
3751–3752	OPEB, Active Employees
3801–3802	PERS Reduction (for revenue limit funded schools)
3901–3902	Other Benefits
4000–4999	Books and Supplies (Expenditures for books and supplies including costs of sales/use tax, freight, and handling charges)
4100	Approved Textbooks and Core Curricula Materials
4200	Books and Other Reference Materials
4300	Materials and Supplies
4400	Noncapitalized Equipment

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<u>Code</u>	<u>Title</u>
4700	Food
5000–5999	Services and Other Operating Expenditures (Expenditures for services, rentals, leases, maintenance contracts, dues, travel, insurance, utilities, legal, and other operating expenditures)
5100	Subagreements for Services
5200	Travel and Conferences
5300	Dues and Memberships
5400	Insurance
5500	Operations and Housekeeping Services
5600	Rentals, Leases, Repairs, and Noncapitalized Improvements
5800	Professional/Consulting Services and Operating Expenditures
5900	Communications
6000–6999	Capital Outlay (Expenditures for sites, buildings, books, and equipment, including leases with option to purchase; 6100–6500 for modified accrual basis of accounting only)
6100	Land
6170	Land Improvements
6200	Buildings and Improvement of Buildings
6300	Books and Media for New School Libraries or Major Expansion of School Libraries
6400	Equipment
6500	Equipment Replacement
6900	<i>Depreciation Expense (accrual basis of accounting only)</i>
7000–7499	Other Outgo
7110–7143	Tuition to Other Schools
7110	Tuition for Instruction Under Interdistrict Attendance Agreements
7130	State Special Schools
7141	Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools
7142	Other Tuition, Excess Costs, and/or Deficit Payments to County Offices
7143	Other Tuition, Excess Costs, and/or Deficit Payments to JPAs
7211–7213	Transfers of Pass-Through Revenues to Other LEAs
7211	Transfers of Pass-Through Revenues to Districts or Charter Schools
7212	Transfers of Pass-Through Revenues to County Offices
7213	Transfers of Pass-Through Revenues to JPAs
7221–7223	Transfers of Apportionments to Other LEAs—Special Education
7221	Transfers of Apportionments to Districts or Charter Schools—Special Education
7222	Transfers of Apportionments to County Offices—Special Education
7223	Transfers of Apportionments to JPAs—Special Education

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<u>Code</u>	<u>Title</u>
7221–7223	Transfers of Apportionments to Other LEAs—All Other
7221	Transfers of Apportionments to Districts or Charter Schools—All Other
7222	Transfers of Apportionments to County Offices—All Other
7223	Transfers of Apportionments to JPAs—All Other
7281–7299	All Other Transfers (other than apportionments or pass-through)
7280	Transfers to Charter Schools in Lieu of Property Taxes (Obsolete)
7281	All Other Transfers to Districts or Charter Schools
7282	All Other Transfers to County Offices
7283	All Other Transfers to JPAs
7299	All Other Transfers Out to All Others
7438–7439	Debt Service
7438	Debt Service—Interest
7439	Other Debt Service—Principal
OTHER FINANCING SOURCES/USES	
8900–8999	Other Financing Sources
8930–8979	Other Sources
8931	Emergency Apportionments
8951	Proceeds from Sale of Bonds
8953	Proceeds from Sale/Lease Purchase of Land and Buildings
8961	County School Building Aid
8965	Transfers from Funds of Lapsed/Reorganized LEAs
8971	Proceeds from Certificates of Participation
8972	Proceeds from Capital Leases
8973	Proceeds from Lease Revenue Bonds
8979	All Other Financing Sources (Use Object 8979 for proceeds of charter school loans.)
7600–7699	Other Financing Uses
7630–7699	Other Uses
7651	Transfers of Funds From Lapsed/Reorganized LEAs
7699	All Other Financing Uses
8980–8999	Contributions Between Unrestricted and Restricted Accounts
8980	Contributions from Unrestricted Revenues
8990	Contributions from Restricted Revenues
8995	Categorical Education Block Grant Transfers
8997	Transfers of Restricted Balances (Inactive)
8998	Categorical Flexibility Transfers per Budget Act Section 12.40
9700–9799	FUND BALANCE, RESERVES
9791	Beginning Fund Balance

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<u>Code</u>	<u>Title</u>
9793	Audit Adjustments
9795	Other Restatements
9711	Reserve for Revolving Cash
9712	Reserve for Stores
9713	Reserve for Prepaid Expenditures (Expenses)
9719	Reserve for All Others
9730	General Reserve
9740	Legally Restricted Balance
9770	Designated for Economic Uncertainties
9775	Designated for the Unrealized Gains of Investments and Cash in County Treasury
9780	Other Designations
9790	Undesignated/Unappropriated Amount

9100–9499 ASSETS

9110	Cash in County Treasury
9111	Fair Value Adjustment to Cash in County Treasury
9120	Cash in Bank(s)
9130	Cash in Revolving Fund
9135	Cash with a Fiscal Agent/Trustee
9140	Cash Collections Awaiting Deposit
9150	Investments
9200	Accounts Receivable
9290	Due from Grantor Governments
9320	Stores
9330	Prepaid Expenditures (Expenses)
9340	Other Current Assets
9400–9499	<i>Capital Assets (accrual basis of accounting only)</i>
9410	<i>Land</i>
9420	<i>Land Improvements</i>
9425	<i>Accumulated Depreciation—Land Improvements</i>
9430	<i>Buildings</i>
9435	<i>Accumulated Depreciation—Buildings</i>
9440	<i>Equipment</i>
9445	<i>Accumulated Depreciation—Equipment</i>
9450	<i>Work in Progress</i>

9500–9699 LIABILITIES

9500	Accounts Payable (9501–9589 are reserved for local use)
9590	Due to Grantor Governments
9640	Current Loans

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<u>Code</u>	<u>Title</u>
9650	Deferred Revenue
9660–9669	<i>Long-Term Liabilities (accrual basis of accounting only)</i>
9661	<i>General Obligation Bonds Payable</i>
9662	<i>State School Building Loans Payable</i>
9664	<i>Net OPEB Obligation</i>
9665	<i>Compensated Absences Payable</i>
9666	<i>Certificates of Participation (COPs) Payable</i>
9667	<i>Capital Leases Payable</i>
9668	<i>Lease Revenue Bonds Payable</i>
9669	<i>Other General Long-Term Debt</i>

Documentation of salaries and wages is often necessary to support charges to specific funding sources (resources), instructional settings (goals), and activities (functions). Some level of formalized time documentation is needed for all salaries and wages paid from federal funding. However, formalized documentation is usually only necessary for salaries and wages paid from state funds when the funds are restricted, when positions are split between goals or certain functions, or when program guidelines require it.

In reviewing this procedure, LEAs should keep in mind that written policies and procedures are essential to implementing an effective labor distribution system. LEAs must develop a time documentation process (i.e., forms, employee training, internal controls, and compliance checks) that meets their particular needs.

Salaries and Wages Charged to Restricted Programs

Costs of salaries and wages are usually an allowable charge to programs with a restricted funding source. However, LEAs are required to have time documentation to support the charging of their salaries and wages to a restricted source.

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, is a policy directive affecting which costs are allowable charges to federal programs, which costs are not allowable, and how costs charged to federal programs must be documented. OMB Circular A-87 applies to all local educational agencies (LEAs) receiving federal funds. The standards for documenting salaries and wages charged to federal programs are specified in OMB Circular A-87, Attachment B, Section 8(h). These standards are in addition to those for payroll documentation.

The time documentation requirements for charging salaries and wages to state programs are based on the OMB Circular A-87 federal time documentation guidelines. However, there is also an alternative method available to document salaries and wages charged to state restricted programs.

Cost Objectives

OMB Circular A-87 defines a cost objective as "a function, organizational subdivision, contract, grant, or other activity for which cost data are

needed and for which costs are incurred." For purposes of supporting salary and wage expenditures, the identification of cost objectives allows funding sources to be pooled for a common objective.

In practical terms, a cost objective is a set of work activities allowable under the terms and conditions of a particular funding source. In the determination of whether an employee works on a single cost objective or on multiple cost objectives, the most significant factor is not the number of funding sources supporting the salary but rather the activity being performed.

Single Cost Objective

A set of work activities may be considered a single cost objective when both the service(s) being performed and the population(s) being served are allowable under any of the programs supporting the cost objective (i.e., the funding sources are homogeneous). Stated another way, costs allocable to that cost objective must be allowable under any of the programs that fund the activities. If these criteria are met, an activity that benefits two or more programs may be considered a single cost objective.

Homogeneous funding sources are the exception rather than the rule. If it is not clear whether the funding sources are in fact homogeneous, the activities should be treated as separate (multiple) cost objectives rather than as a single cost objective.

An example of a single cost objective at its most basic is an employee who works solely on one activity and that activity is funded by a single source. While this type of one-to-one relationship does occur, it is also possible to have a single cost objective that is funded by multiple sources. For example, if an employee works in a position that is funded by multiple federal programs, but the employee does similar activities all day and the federal programs have the same requirements with regard to allowable costs and eligibility of participants, then that employee may be considered as working on a single cost objective.

Following are examples of employees working on a single cost objective:

1. **Single Funded Activity:** An employee who works solely (100 percent) on activities of a single federal or state restricted program or on a single nonfederal program used in meeting cost sharing or matching requirements of federal awards.
2. **NCLB Consolidated Administrative Funds:** An employee who works solely on administrative activities of the No Child Left

Behind Act (NCLB) where the administrative funds have been consolidated in Resource 3155, NCLB Consolidated Administrative Funds (see Procedure 780).

3. **Schoolwide Program (SWP):** A school-site employee working solely on an SWP plan approved by CDE. This is a single cost objective because for an approved SWP plan the LEA may use NCLB Title I funds in combination with other federal funds and state and local general-purpose funds to upgrade the entire educational program in a school (Title I, Part A, Subpart 1, Section 1114).

Employees working on an SWP plan who are paid in part by federal programs that have not been combined in the SWP and employees who work on both SWP and non-SWP plan activities are not considered to be working in a single cost objective.

4. **School-Based Coordinated Programs (SBCPs):** California's SBCPs combine several state categorical programs in a manner similar but not identical to an SWP. Under *Education Code* Section 52853, employees of an SWP at a school site funded from SWP and SBCP funds (assuming those are the only two funding sources) may be considered as funded by a single cost objective.

Prior to identifying the SWP and SBCP funds as a single cost objective, an LEA must ensure that the SBCP school plan includes the proposed expenditure of NCLB funds available to the school. If NCLB funds are not included, the existing SBCP school plan should be revised to include them. For SWP and SBCP funds to be considered as a single cost objective, the school must operate the state-approved SWP in a manner consistent with the expenditure of funds available to the school under SBCP, which means that the SWP and SBCP funds must be used for the same purpose.

Essentially, for a school site to consider its SWP and SBCP funding sources as a single cost objective, the school's funding sources must be contained in an SBCP and a state-approved Title I SWP. That means that the school would use all the funds available to upgrade the entire educational program in the school. If all the funds are not available for all the students, the SBCP and SWP funding sources may not be considered a single cost objective. There may be individual NCLB funds used at an SBCP school, such as for Title I Targeted Assistance schools; however, those funds may not be considered a single cost objective unless they are

included in a state-approved SWP that benefits all the pupils at the school.

5. **Combined Federal and State Awards:** An employee such as a drug prevention counselor or a special education instructional aide who is funded by a mixture of federal and/or state awards, where the services provided and the populations served are eligible and allowable under any of the awards (see the note following item 6).

6. **Combined Federal, State, and Local Awards:** An employee who is funded by a mixture of federal, state, and local resources, where the services provided and the populations served are allowable and eligible under any of the funding sources. For example, the salary of a cook working in a school cafeteria may be funded from a mix of federal funds (free or reduced-price meal reimbursement), state funds (additional reimbursement funds), and local funds (lunch sales). If the cook spends all of his or her time in the preparation and serving of school lunches and if all of the activities performed by the cook are allowable under any of the funding sources, then the cook's activities can be considered a single cost objective.

Similarly, an aide working in a child care center is paid from child development funds, which may include federal, state, and local resources. If the aide spends 100 percent of his or her time providing child care to children that could be served under any of the funding sources, the aide's time may be considered a single cost objective.

Note: Items 5 and 6 are simplistic examples and are provided for explanatory purposes only. More complex situations may indicate multiple cost objectives rather than a single cost objective (refer to the discussion on homogeneous funding sources on page 905-2). To ensure that timekeeping efforts comply with OMB Circular A-87, LEAs need to evaluate each situation to determine the proper time documentation requirements.

Multiple Cost Objectives

When an employee works on more than one award and the activities performed may not be considered a single cost objective, the employee is considered to work on multiple cost objectives.

Following are examples of employees working on multiple cost objectives:

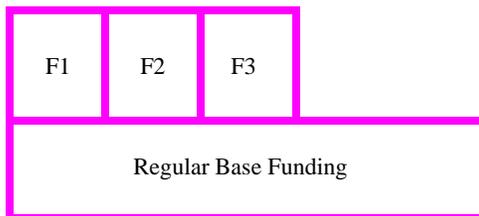
1. An employee provides similar services all day, but his or her position is supported by multiple federal awards that have different rules as to the eligibility of participants or allowable costs.
2. The employee works on dissimilar activities for more than one federal program, and the programs are not combined in an approved SWP.
3. The employee works on dissimilar activities for a mixture of federal and state programs, and those programs are not combined in an approved SWP.
4. The employee works on a mixture of federal and general-purpose activities that have not been combined in an approved SWP.
5. The employee is funded by more than one nonfederal program source, and one of the sources is used in meeting the cost sharing or matching requirements of federal awards.
6. The employee works on both an indirect cost activity (e.g., business services) and a direct cost activity (e.g., special projects administration or an approved SWP plan).
7. The employee works on an unallowable activity (e.g., school board) and an indirect cost activity or a direct cost activity.

Illustrations Showing Single and Multiple Cost Objectives

XYZ School has three federal categorical programs (F1, F2, and F3) that supplement the school's regular base funding. The following three illustrations show how different time documentation guidelines would apply:

Illustration A

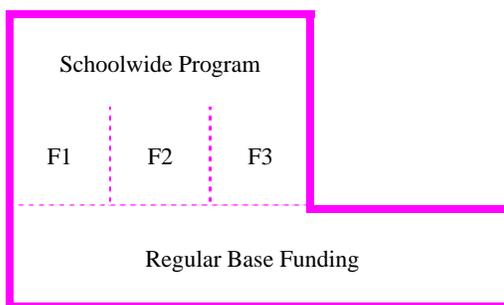
In Illustration A, employees at XYZ School are multifunded, either by more than one federal program or by a federal program and other general-purpose revenues (regular base funding). The services provided and populations served vary by program. The school does not have an approved SWP.



Employees are considered to work on multiple cost objectives because the funding comes from two or more federal programs or from federal programs and general-purpose revenues, and the school does not have an approved SWP plan.

Illustration B

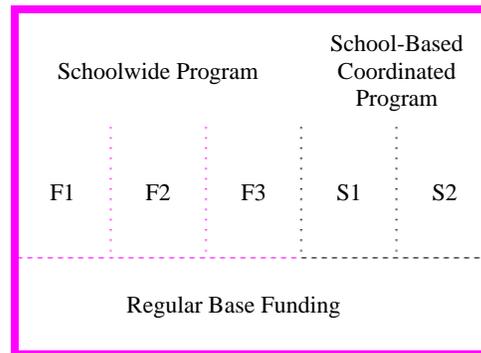
In Illustration B, XYZ School has an approved SWP plan. It has the same three federal categorical programs supplementing its regular base funding. In its SWP plan, XYZ School has combined F1, F2, and F3 and its regular base funding.



Employees that work solely at XYZ School on SWP activities are considered to work on a single cost objective because the school has an approved SWP plan that combines the funds.

Illustration C

In this illustration, XYZ School has an approved SWP plan and has combined its regular base funding, its three federal categorical programs (F1, F2, and F3), and its SBCP funds from two state categorical programs (S1 and S2).



Similar to Illustration B, Illustration C represents a single cost objective for employees that work solely at XYZ School on SWP or SBCP activities because the funds are combined by the SWP and SBCP.

How to Document Federally Funded Salaries and Wages

The cost objective(s) on which an employee works is the main factor in determining whether federal time documentation requirements can be satisfied by a periodic personnel certification or whether the requirements must be met through the more detailed form of a personnel activity report or equivalent documentation.

Salaries and wages used in meeting cost sharing or matching requirements of federal awards must also be supported by one of these methods.

Each LEA needs to determine its time documentation requirements based on its own circumstances, and each LEA must ensure that its timekeeping efforts comply with the requirements of OMB Circular A-87.

Periodic (Semiannual) Certification

Employees who work solely on a single federal award or cost objective need only complete a periodic certification. Pursuant to OMB Circular A-87, Attachment B, Section 8(h)(3), the periodic certification must:

- Be prepared at least semiannually.
- Be signed by the employee or the supervisory official having firsthand knowledge of the work performed by the employee.

- State that the employee worked solely on that single federal program or cost objective during the period covered by the certification.

Where multiple employees work on the same cost objective, a blanket certification may be used as the documentation for all employees who worked on the cost objective. For example, a school with an approved SWP may choose to prepare a blanket certification that lists all employees that worked solely on the SWP. Because periodic certifications may be signed by either the employee or supervisor and because the purpose of a blanket certification is to simplify the time documentation process, the school may choose to include only the signature of the supervisor, which in this SWP example would be the school principal.

Sample periodic certifications are provided on pages 905-23 and 905-24. Note that the sample documents are very basic and may require enhancements to meet time documentation requirements of certain programs.

Personnel Activity Report

Except as provided in "Substitute System for Time Accounting" (following), employees who work on multiple activities or cost objectives of which at least one is federal must complete a personnel activity report (PAR) or equivalent documentation (OMB Circular A-87, Attachment B, Section 8[h][4], [5], and [7]).

A PAR may be as detailed as a document that identifies the employee's activity daily by hours, or it may be as simple as a report of the total hours or percentage of hours spent in each categorical program or cost objective. The level of detail can generally be determined by the diversity and variation of the employee's work activities. The safest approach is to provide more documentation rather than less.

OMB Circular A-87 states that PARs or equivalent documentation must:

- Reflect an after-the-fact distribution of the actual activity of each employee.
- Account for the total activity for which each employee is compensated.
- Be prepared at least monthly and coincide with one or more pay periods.
- Be signed by the employee.

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards, but these figures may be used for interim accounting purposes provided that:

- The LEA's system for establishing the estimates produces reasonable approximations of the activities actually performed.
- Comparisons of budgeted distributions with actual costs based on the monthly activity reports are made at least quarterly. If the variances between total budgeted and total actual costs are 10 percent or more, adjustments must be made at least quarterly to the LEA's financial records, including to billings made to federal grantor agencies. If the variances are less than 10 percent, the adjustments may be recorded annually.
- The budget estimates or other distribution percentages are revised at least quarterly if necessary to reflect changed circumstances.

A sample PAR is provided on page 905-22. Note that the sample document is very basic and may require enhancements to meet time documentation requirements of certain programs.

Substitute System for Time Accounting

As an alternative to a PAR, OMB Circular A-87, Attachment B, Section 8(h)(6) allows for substitute systems of time accounting using sampling methods that meet statistical sampling standards for allocating salary and wages. Such substitute systems are subject to prior federal approval. The United States Department of Education has approved such a system for California's LEAs to use, at their option, for substantiating federal salary and wage charges for those employees working on multiple-funded activities or cost objectives.

The substitute system is intended to simplify recordkeeping for LEAs that must substantiate salary and wage charges to federal programs through the use of PARs or equivalent documentation. Unless the LEA uses this approved substitute system, PARs must be prepared at least monthly for employees working on multiple cost objectives whenever federal funds are involved.

Under the substitute system approved for California, PARs are required less frequently than monthly. Specifically, the approved substitute system allows LEAs to collect PARs from employees every fourth month (three times a year). The information from the PARs is used both to reconcile the

federal timekeeping estimates from the previous three months and to estimate the percentage of time employees will spend on various federal programs in the next three months. This system works best when the composite workload produces an even distribution of salaries to accounts over the full 12-month period.

LEAs may choose any month to begin the cycle for the substitute system. Because the starting month establishes the recordkeeping cycle for the year, LEAs should choose a starting month that most accurately reflects their annual average labor cost experience.

The following is a description of the substitute system process. The description assumes that the LEA begins the substitute recordkeeping at the beginning of the fiscal year and the first PARs are collected in July.

- All multiple cost objective employees where at least one of the cost objectives is federally funded or is used in meeting cost sharing or matching requirements of federal awards must keep PARs for the full month of July to account for 100 percent of their time spent on activities for which they are compensated. From the PARs, labor distribution reports for July are generated to support effort distribution and charges for costs incurred in July and to provide the basis for employee salary and fringe benefit allocations for August, September, and October.
- In November and March, the multiple cost objective employees keep PARs that are used to:
 1. Support effort and labor costs incurred in November and March.
 2. Compare with and make any necessary adjustments to the budgeted effort distribution for August through October and December through February.
 3. Project salary and fringe benefit allocations for December through February and April through June.
- The process starts over again the following July to support incurred labor cost allocations for that month and to compare and adjust the budgeted effort distribution for April through June. Further, the July PARs start another round of labor distribution estimates for the second year.
- After the first full year on the system, LEAs may shift from collecting PARs three times a year (e.g., July, November, March)

to two times a year (e.g., July, January) if the deviation between the total estimated time and total actual time charged is consistently less than 10 percent. Thereafter, the twice-yearly PAR collection may be maintained as long as the deviation is consistently less than 10 percent.

Important rules for LEAs choosing to use the substitute system for time accounting are as follows:

1. All aspects of the substitute system must be implemented in accordance with the guidelines shown in this section. As with any time documentation method, adherence to the substitute system is subject to monitoring.
2. All multifunded employees who would otherwise be required to complete PARs (i.e., multiple cost objective employees) must participate in the substitute system. They will still complete PARs that cover the entire months being sampled, but the PAR reporting frequency is lessened from every month to only four times (or less) a year.
3. Employees funded solely (100 percent) from a single federal source or who work on a single cost objective must not participate in the substitute system because their data would distort the aggregate results of the multifunded data. Those employees must continue to prepare semiannual certifications.

As with all time documentation methods, written policies and procedures are essential to implementing an effective substitute system for time accounting. LEAs should develop forms and provide employee training before implementing the substitute system. It is suggested that a trial run be done before beginning the actual substitute system process.

The following elements should be addressed as an LEA develops and implements a substitute system for time accounting:

1. Proper completion of PARs, including how frequently PAR data must be recorded and what constitutes adequate documentation
2. Required review and approval cycle
3. Handling of completed forms
4. Internal review process to ensure compliance

Generally, this information should provide enough detail to permit an understanding of how the substitute system will operate from the point labor is expended to the point it is recorded in the accounting records and charged to federal awards.

Documentation of Supplemental Employment Contracts

As stated previously, PARs or equivalent documentation must account for the total activity for which an employee is compensated. This would include additional hours worked as part of that activity, such as overtime. However, if an employee has a supplemental contract in addition to their regular position (e.g., a teacher during the school day and a coach after school), then each is evaluated to determine the time documentation needed.

Following are sample scenarios including supplemental employment contracts and the time documentation requirements for each:

1. **Regular contract requires time documentation but supplemental contract does not.** An employee has a regular contract to work as a Title I teacher during the school day and a supplemental contract to provide athletics coaching after school. Time documentation that includes 100 percent of the teacher's school day is required for the teaching position (either a PAR or semiannual certification, depending on the duties). The supplemental coaching position is outside the scope of the employee's regular position and, if funded from unrestricted monies, generally would not require time documentation.
2. **Both regular contract and supplemental contract require time documentation.** An employee has a regular contract to provide both Title I and basic education services during the school day, plus a supplemental contract to work as a tutor for the 21st Century Learning program after school. A PAR or equivalent documentation would be required for the regular contract because it is considered multiple cost objectives. The supplemental tutoring position is outside the teacher's regular position, but since it is paid for with federal funds, the rules for time documentation apply and a semiannual certification would be required.

Salaries and Wages Charged to State Funded Programs

LEAs are required to provide supporting documentation for salaries and wages charged to state restricted programs (resources). Documentation is also required for certain state unrestricted activities, such as when the activity has specific documentation requirements (e.g., state mandated programs), or when salaries and wages are charged to a specific program (goal), or when salaries and wages are split between a direct cost and an indirect cost activity (function).

As with federal programs, the level of documentation needed to charge salaries and wages to a state program or activity is predominately determined by whether the employee works on a single cost objective or on multiple cost objectives. LEAs must also take into consideration any specific documentation requirements a state program may have, such as if a program requires use of the state documented method (discussed following) or if a program has specific limitations or requirements regarding the type(s) of services provided, such as direct services to students.

How to Document State Restricted Salaries and Wages

In the absence of more stringent state program guidelines, when documenting salaries and wages charged to state restricted programs, LEAs may use the documentation methods described in "How to Document Federally Funded Salaries and Wages" beginning on page 905-7. These methods include monthly PARs, semiannual certifications, and the substitute system for time accounting.

When using federal methods to document state programs, LEAs will follow the single and multiple cost objective guidelines to determine the level of time documentation needed. For example, an employee who works on multiple state cost objectives will complete a PAR (or equivalent documentation) or participate in the substitute system for time accounting rather than completing a semiannual certification.

In addition to the federal time documentation methods, California also has an alternative method that LEAs may use to support salaries and wages charged to state restricted programs. This alternative method is referred to as the state documented method and is similar to the federal PAR process.

The State Documented Method

Salaries and wages paid from state restricted funds must have supporting documentation conforming to either the federal documentation methods or the alternative state documented method. For the state documented method to be used, the following criteria must be met:

1. The specific costs would not occur if the program being documented were discontinued.
2. The costs must be supported by auditable documentation, including time reports and contemporaneous records of activities.
3. All parts of the product or service (e.g., a position or service contract) must be documented.

Unless stated otherwise in the guidance following, personnel whose costs are being documented under the state documented method must complete an activity work sheet. The work sheet must include, as a minimum, the following elements, but additional information may be incorporated to meet local needs:

Activity Work Sheets

- *Reporting frequency.* An employee's activity work sheet must be completed at least monthly.
- *Information to be reported.* The following basic information must be recorded for each employee being documented:
 1. Name of the LEA
 2. Employee's name
 3. Employee's position title
 4. Period covered by the work sheet
 5. Signature of the employee
 6. Signature of the employee's supervisor
 7. Work activity (e.g., the name/description of the program or cost objective)

The basic activity work sheet generally provides the minimum required documentation when an employee's assignment is in support of only one program or cost objective. Additional information may be necessary in more complex situations or to meet specific program time documentation requirements.

Employees who are assigned to positions that serve more than one program should also record the following:

8. Name/description of each program or cost objective
9. Dates worked
10. Hours worked

Record only actual hours worked. These hours will be used as the basis for distribution of costs to the programs or cost objectives. Include overtime hours worked, whether paid or unpaid. Exclude time off (vacation, sick leave, and any other time off) or report it as a separate line item. Report to the nearest quarter hour any time worked that is less than one hour. Substantiation of the time spent for each program is to include, at a minimum, a summary time sheet plus contemporaneous records that detail the time spent on each task.

Following are examples of various categories of employees. Under the state documented method, costs documented to single or multiple state restricted programs require at least the following documentation:

Program Staff. An activity work sheet must be completed if the program employee's time is to be charged to a state restricted program. Use of an activity work sheet to report time spent in various programs means that the employee must be able to substantiate the information that is reported. This substantiation consists of contemporaneous documentation such as appointment calendars, caseload records, and notices of meetings. The LEA must retain such documentation for a minimum of three years after the year of audit.

Employees working in more than one state activity or position whose time is being documented (e.g., an employee working half-time as a project director and half-time as a psychologist) need to maintain time-accounting records for each activity. Employees working part-time in a teaching position and part-time in a support position also need to maintain an activity work sheet to record the time spent in the teaching activity and that spent in the support activity.

Support Service Staff. Positions providing a support service function that are charged to multiple state activities need to maintain time-accounting records for each activity. When only one program is charged, consistent and verifiable supporting documentation is still needed and may be documented by identification with a position in the personnel/payroll system or an individual's contract.

Clerical Staff. Activity work sheets are normally not needed for clerical staff charged to state restricted programs. The costs of clerical services should be charged in the same manner as the costs of the manager to whom the clerical staff report. An exception is if the clerical duties do not correspond to those of the manager, in which case clerical staff members should document their time by using an activity work sheet.

Note: These state time documentation requirements are provided as general guidance and may not be sufficient documentation for all state programs. It is recommended that LEAs obtain specific guidance from the programs to ensure compliance with all requirements.

Documenting State Unrestricted Salaries and Wages

Salaries and wages charged to state unrestricted programs or funding sources generally do not require documentation; however, certain activities may require documentation, such as when:

- The activity has specific documentation requirements. For example, state mandated programs' parameters and guidelines identify documentation requirements applicable to each mandated program.
- An employee's time is charged to a specific instructional goal or to multiple instructional goals (see "Documenting Salaries and Wages to a Goal," following).
- An employee works on both a direct cost activity and an indirect cost activity (see Procedure 915 for information on indirect cost activities). A monthly PAR or equivalent document is required unless the employee works in a position that fits one of the "in-lieu" distributions provided on page 905-20. Documentation is required because a mixture of direct cost and indirect cost activities is considered multiple cost objectives (OMB Circular A-87, Attachment B, Section 8[h][4]).
- An employee works 100 percent on indirect cost activities. The employee may use the LEA's regular payroll documentation process to document his or her time as long as the payroll is approved by a responsible LEA official (OMB Circular A-87, Attachment B, Section 8[h][1-2]). The indirect cost activities should be properly identified, such as on a timesheet or in a contract or job description.

Documenting State Salaries and Wages to a Goal

As stated previously, documentation is required when charging salaries and wages to federal funds or state restricted funds. There are also instances when salaries and wages charged to state unrestricted funds must be substantiated, such as when the costs are direct-charged to an instructional goal. When documenting these unrestricted salaries and wages charged to a goal, a lesser level of documentation than that required for restricted salaries and wages may be acceptable.

The following are general guidelines and examples for documenting state unrestricted salaries and wages direct-charged to an instructional goal:

A. Instructional Salaries and Wages

Instructional activities must be direct-charged to a specific goal. Generally, the class roster provides sufficient documentation for substantiating the salaries and wages of classroom teachers charged to specific goals.

The documentation for instructional aides may be based on their assignment to teachers with class rosters or the category of students to whom they are assigned.

B. Noninstructional Salaries and Wages

Charged to a Single Goal:

When supported by verifiable documentation, noninstructional salaries and wages may be direct-charged to a single goal. Examples of documentation that would be adequate include the contract or job description of a school employee, such as a nurse or counselor, that specifies the category of student they will solely serve, such as special education students; or the contract or job description of a project director that specifies the category of student served, such as Director of Adult Education or ROC/P Administrator.

If verifiable documentation does not exist, the costs should be charged to Goal 0000, Undistributed, and subsequently allocated to specific goals during the program cost accounting process (see "Allocating Support Costs Using Allocation Factors," page 910-4).

Charged to Multiple Goals:

Direct-charging noninstructional salaries and wages to multiple goals requires contemporaneous documentation supporting the amount of time spent on each goal.

The salaries and wages of certificated administrators in instruction-related services (functions 2100 through 2700) or certain pupil services (functions 3100 through 3160 and 3900) that are direct-charged to multiple goals are to be supported by activity work sheets (see 905-14). In many cases, documentation (e.g., time cards, personnel activity reports, or activity work sheets) already provided to substantiate the charging of salaries and wages to federal or state restricted programs is sufficient for documenting to a goal.

The salaries and wages of classified support staff should usually be distributed to the same goals and in the same ratio as for the certificated personnel to whom they report.

Noninstructional salaries and wages of personnel other than administrators may be supported by activity work sheets, current job descriptions, or employee contracts. If job descriptions or contracts are used for documentation, they must be regularly reviewed and updated to ensure that they are current and reflect the actual activities of the staff. The actual charges should be based on actual time spent on specific goals rather than on budgeted figures.

In many situations, rather than charging noninstructional salaries and wages directly to specific goals, it is appropriate to charge them to Goal 0000, Undistributed, for later allocation to specific goals during the program cost accounting process, using standardized allocation factors (see "Allocating Support Costs Using Allocation Factors," page 910-5).

Charged to Multiple Resources and Goals:

Where salaries and wages are charged to multiple restricted funding sources (resources) and multiple goals, documentation provided to substantiate charging the costs to the resources (e.g., time cards, personnel activity reports, or activity work sheets) will also support charging the costs to the goals. For example:

A counselor, hired to serve all students, is paid with a combination of unrestricted resources, a special education apportionment, and a federal grant for low-income students. The activities performed

by the counselor are varied and serve multiple cost objectives. As stated on page 905-8, because these are multiple cost objectives and part of this funding is federal, the salary split among these three resources must be documented by a personnel activity report or equivalent documentation. This documentation of time by resource will also serve as the documentation between goals.

A project director's salary is split among four state restricted funding sources. As discussed in "Salaries and Wages Charged to State Funded Programs," page 905-13, the salary split among four state resources must be documented by an activity work sheet, a personnel activity report, or equivalent documentation. This documentation of time by resource will also serve as the documentation between goals.

A school psychologist, under contract to serve all students, spends time doing assessment testing for special education children with existing individualized education programs (IEPs). If the salary is partially paid with special education money, the documentation of salaries split among resources will also support the split among goals. If the psychologist is paid solely with state unrestricted money but the LEA wishes to direct-charge this cost among goals, then those charges must be supported by time reports, calendars, or other documentation substantiating the actual time spent on the multiple goals.

Distributing Costs of State Programs Based on Activity Work Sheets

Monthly time documentation records (personnel activity reports, activity work sheets, time cards) for charges to state restricted programs detail the percentage of time employees spend on each activity and become the basis for the distribution of costs. In some instances the monthly documents support the charging of costs directly to programs during the year; in other instances the documents are used to distribute costs to programs periodically.

When state funds are involved, the distribution of costs to the specific programs or cost objectives may be done on a schedule that best meets local needs (e.g., monthly, quarterly, at the first or second interim budget reporting periods, or at some other periodic interval). To determine the distribution of costs, record the actual hours worked in each program or cost objective as reported on the time documentation. Determine a proration by computing a ratio of the time spent in each to the total time worked. Distribute the salary and wage costs on the basis of the computed

proration. The same proration will be applied to all costs associated with the activity, including the cost of associated clerical staff.

Cost Distributions in Lieu of Time Documentation

The charging of state salaries and wages to more than one goal usually requires documentation of the time spent in each goal. Time documentation is usually also necessary when an employee works on a direct and an indirect activity. However, for salaries and wages paid from state unrestricted funds, certain standardized distributions may be used in lieu of time documentation. These standard time distributions are applicable for use only when the positions are paid from state unrestricted funds.

County Office of Education Services to School Districts. County offices with staff performing similar activities within the areas of County Services to Districts and county office support services may charge costs as follows:

- 50 percent to Goal 8600, County Services to Districts
- 50 percent to Goal 0000, Undistributed

County offices with county board of education staff (Function 7100) performing similar activities within the areas of County Services to Districts and county office general administrative support may charge costs as follows:

- 50 percent to Goal 8600, County Services to Districts
- 50 percent to Goal 0000, Undistributed

Assistant Superintendents. The costs of assistant superintendents for instruction or equivalent positions having first-line responsibility for instructional administration and for participation in district/county policy may be charged as follows:

- 50 percent to Function 2100, Instructional Supervision and Administration
- 50 percent to Function 7200, Other General Administration

Procedure 905 Documenting Salaries and Wages

Small School Districts and Charter Schools. Small school districts and charter schools with one person performing the functions of both the principal and the superintendent may charge costs as follows:

- 70 percent to Function 2700, School Administration
- 30 percent to Function 7100, Board and Superintendent

Small school districts and charter schools with staff performing support duties for both school administration and business office administration may charge costs as follows:

- 70 percent to Function 2700, School Administration
- 30 percent to Function 7200, Other General Administration

Sample Personnel Activity Report

Personnel Activity Report (PAR)			
Period Covered ¹ _____		Fiscal Year _____	
Employee Name _____			
School/Division/Department _____			
<u>Cost Objective/ Program Title</u>	<u>Account/Resource Code</u>	<u>Hours Worked</u>	<u>Percentage of Hours Worked</u>
Project A	1111	35	21.7% (35÷161)
Project B	2222	60	37.3% (60÷161)
Project C	3333	56	34.8% (56÷161)
Program Administration	4444	<u>10</u>	6.2% (10÷161)
Total Hours Worked		161	100.0%
Compensated Time Off		<u>7</u>	n/a
Total Compensated Time ²		168	n/a

I hereby certify that this report is an after-the-fact determination of actual effort expended for the period indicated and that I have full knowledge of 100 percent of these activities.

Employee Date

¹This report must be prepared at least monthly and coincide with one or more pay periods.

²This report must account for the total activity for which each employee is compensated.

Caution:

- This sample form will work well in those situations when an employee's time spent on programs is fairly predictable and does not vary much during the month. However, for those employees whose time is unpredictable and varies significantly from day to day, a more detailed personnel activity report may be appropriate. Hourly time accounting is the method most accepted by auditors and the safest approach is always to provide more documentation rather than less.
- This sample form may not include sufficient detail to meet the time documentation requirements of specific programs, such as the requirements related to state mandated costs or the direct services to students and administrative costs under Title I, Part A and Economic Impact Aid.

Sample Periodic (Semiannual) Personnel Certification

Semiannual Certification¹

Period Covered ² _____ Fiscal Year _____

Employee Name _____

School/Division/Department _____

<u>Cost Objective/ Program Title</u>	<u>Account/Resource Code</u>	<u>Percentage of Effort</u>
Program ABC	1111	100%

I hereby certify that this report is an after-the-fact determination of actual effort expended for the period indicated and that I have full knowledge of 100 percent of these activities.

Employee or Supervisory Official³

Date

¹This sample certification:

- Is for employees funded solely (100 percent) from a single cost objective charged to federal or state programs or from a single nonfederal categorical program used in meeting cost sharing or matching requirements of federal awards.
- May not meet certain program requirements, such as the direct services to students and administrative costs requirements of Title I, Part A and Economic Impact Aid.

²Certification must be prepared at least semiannually and cover the entire period of the certification (e.g., six months for a semiannual certification).

³Certification must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Pursuant to a recommendation by the United States Department of Education and to facilitate good internal control, LEAs may wish to require both signatures.

Program cost accounting provides a standardized method of identifying all costs of a particular program, including its instructional, support, and central administration costs. Such cost identification is integral to a meaningful cost-reporting system for use by state and local decision makers in assessing the fiscal impact of programs and projects.

In the standardized account code structure (SACS), the goal field provides the framework for program cost accounting. Throughout this section the terms "goal" and "program" are virtually interchangeable.

Direct-Charged Versus Allocated Costs

When costs are being assigned to programs, many costs are easily identifiable with a specific program and can be charged to that program's goal at the time of expenditure, especially costs that apply to a single program (e.g., an elementary classroom teacher's salary). But certain types of costs, such as support services, are often harder to identify with an individual program. LEAs may accumulate these costs in an "undistributed" cost pool (Goal 0000) for later distribution to programs.

Costs may be charged to a program using two methods:

- **Direct-Charged Costs.** Costs that are charged to a program at the time of expenditure or that are distributed from Goal 0000 to the program on the basis of specific documentation (e.g., time sheets or work orders) are referred to as direct-charged costs.
- **Allocated Costs.** Costs that are accumulated in a Goal 0000 cost pool and are subsequently distributed to programs on the basis of standard allocation factors (full-time-equivalents, classroom units, or pupils transported) are referred to as allocated costs. This usually applies to costs of support-type activities, such as instructional or school administration, pupil transportation, and plant maintenance and operations.

Although not required, LEAs may distribute the allocated costs in their general ledgers. *Note:* For statewide reporting and comparisons of LEA program cost data, Goal 0000 costs will be distributed to programs based on LEA-supplied allocation factors (see "Allocating Support Costs Using Allocation Factors," page 910-5).

Categories of Costs

Identifying costs for program cost accounting follows a stair-step model, starting with those closest to the classroom. The categories of costs include:

- Instructional costs
- Support costs
- Central administration costs
- Other costs

Instructional costs relate directly to instructional programs. Examples include the salaries and benefits of teachers and instructional aides, payments for textbooks and instructional supplies, travel and conference expenses for all employees in the instructional programs, and payments for the repair, maintenance, acquisition, and replacement of instructional equipment. Instructional costs are always direct-charged to a specific goal.

Support costs relate to the peripheral services necessary to maintain the instructional programs, including supervision of instruction, library, classroom technology, school administration, pupil support services, plant maintenance and operations, facilities rentals and leases, and pupil transportation. Support costs may be direct-charged to a goal if proper documentation exists; but, more commonly, they are accumulated in Goal 0000, Undistributed, and subsequently allocated to programs on the basis of standardized program cost allocation factors.

Central administration costs are farthest removed from the classroom but are still necessary for programs to operate. These agencywide costs, including budgeting, personnel, accounting, centralized data processing, school board, and superintendent, are collected in Goal 0000, Undistributed, and then distributed proportionately to all programs on the basis of a central administrative ratio (percentage).

Other costs, such as debt service, transfers between agencies, and facilities acquisition and construction, are not associated with individual programs for cost accounting purposes.

Each category of costs is necessary for instructional programs to exist and therefore should be considered when total program costs are identified. The following pages include explanations of the different cost categories and any steps necessary to distribute the costs to specific programs.

Instructional Costs

Instructional costs are identifiable with a specific goal indicating the instructional setting or group of students receiving the services. Instructional costs must always be direct-charged to a specific goal. Expenditures in the instructional functions (1000s), ancillary functions (4000s), and community service functions (5000s) are always classified as an instructional cost and must always be direct-charged to a specific goal.

Charging costs directly to a goal requires consistent and verifiable supporting documentation that indicates how the costs relate to the goal. Examples of supporting documentation for charging salaries and wages to a specific goal include identification with a position in the personnel/payroll system, time sheet information, language in a contract, or a class schedule with assigned student enrollment (see "Documenting State Salaries and Wages to a Goal," page 905-16).

Support Costs

Support costs are costs of activities conducted in support of instructional programs. They are typically charged to a common pool of costs by using Goal 0000, Undistributed, or Goal 9000, Other Local Goals. (For ease in reading the remainder of this section, goals 0000 and 9000 are intended whenever Goal 0000 is referenced.) Support costs may be direct-charged to a specific goal at the time of expenditure or may be subsequently transferred to a specific goal, provided that sufficient documentation exists (see "Documenting State Salaries and Wages to a Goal," page 905-16, and "Documenting Nonpersonnel Costs to a Goal," page 910-10). Before total program costs can be determined, any costs remaining in the "undistributed" goal must be allocated to the LEA's programs.

Costs in the following support functions may be accumulated in Goal 0000:

- Instruction-Related Services (functions 2000–2999)
- Pupil Services (functions 3000–3999, except 3700)
- Plant Services (functions 8000–8999, except 8500)

To provide consistent, comparable LEA program cost information, a specific allocation methodology is used to distribute support costs remaining in Goal 0000. (See "Allocating Support Costs Using Allocation Factors," page 910-5.) Use of this allocated method provides a systematic way of distributing costs from Goal 0000 to programs without requiring

the supporting documentation needed when the documented method is used.

Central Administration Costs

Central administration costs (CACs) are those business and administrative costs that are agencywide (e.g., accounting, budgeting, personnel, purchasing). CAC functions include:

- Board and Superintendent (functions 7100–7180)
- External Financial Audit (functions 7190–7191)
- Other General Administration (functions 7200–7600)
- Centralized Data Processing (Function 7700)

Because of the agencywide nature of central administration costs, they are neither documented to specific goals nor allocated using the factors. Rather, they are accumulated in CAC functions using Goal 0000, Undistributed, and then proportionately distributed to each program on the basis of a central administrative cost ratio.

It should be noted that central administration costs in program cost accounting are similar, but not identical, to the indirect cost pool used for calculation of the indirect cost rate. Differences include (1) counting board and superintendent costs in the CAC pool for program cost accounting but excluding it from the indirect cost pool; (2) including a minor portion of administrative maintenance and operations costs in the indirect cost pool but not in the CAC for program cost accounting; and (3) including all types of external financial audits in the CAC pool for program cost accounting but only single audit costs in the indirect cost pool.

The CAC ratio, expressed as a percentage, represents total general fund central administration costs divided by direct-charged and allocated costs from all funds that historically benefit from the administrative services. The resulting ratio, or percentage, can then be multiplied by a program's total direct-charged and allocated costs to arrive at the amount of central administration costs applicable to that program.

"Other" Costs

"Other" costs are those costs that are not associated with a specific goal. They include the food service, enterprise, facilities acquisition and construction, and other outgo functions. For purposes of program cost

accounting, these costs are kept separate, even if the agency direct-charges the costs to a specific goal in their accounting records.

Allocating Support Costs Using Allocation Factors

The benefit provided to instructional programs by a support service function varies with the type of support provided. The benefit to programs from certain support services varies in relation to the number of instructional staff receiving the support. The benefit to programs from other support services varies in relation to the amount of space occupied by the instructional program or the number of students being served.

Three cost allocation factors provide the basis for allocating to programs the different types of support service costs:

1. Full-Time-Equivalent Teachers (FTEs)
2. Classroom Units (CUs)
3. Pupils Transported (PTs)

Through a determination of the counts of each factor by program, Goal 0000 costs can be proportionately distributed to each goal.

Allocation Factors

<p>Full-Time-Equivalent (FTE) Teachers</p>	<p>Definition: The full-time-equivalent (FTE) teacher allocation factor is the number of full-time-equivalent teachers serving (assigned) in each instructional program (goal). An assignment is a specific responsibility, classroom assignment, or course section taught.</p> <p>Teachers or assistant teachers (certificated or classified) should be included in the FTE count if they carry active student registers and their services generate average daily attendance (ADA). Certificated and classified employees providing special education designated instruction services and carrying active student registers should also be included in the FTE count.</p> <p>Full-time equivalency is determined on the basis of the number of hours (i.e., of actual instruction of students) that constitutes a full-time teaching assignment for the agency. Taking the ratio of assignment hours to the number of hours that constitutes a full-time assignment calculates the FTE.</p> <p>The four common categories for assignments are:</p> <ol style="list-style-type: none"> 1. <i>Single assignment:</i> A full-time teacher assigned to a single goal is counted as 1.0 FTE for that goal.
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	<p>2. <i>Split assignment:</i> A full-time teacher assigned to two or more goals is split between the goals on the basis of the proportionate share of hours in each assignment. For purposes of determining the number of FTEs to be allocated to each assignment, preparation periods, supervision, noon duty, individualized educational program (IEP) assessments, and other ancillary assignments are to be disregarded in the FTE calculation. Study halls are considered a regular class assignment.</p> <p>3. <i>Semester assignment:</i> A full-time teacher assigned to programs of one semester or less is counted as a 0.5 FTE. Full-time teachers assigned to programs of more than one semester are counted as 1 FTE.</p> <p>4. <i>Part-time assignment:</i> Prorate, using the preceding basic definition. For example, a teacher instructing in a program on a one-fourth time basis would be counted as a .25 FTE.</p> <p>Totaling the computed number of FTE teacher units determines the FTE teacher count for each instructional goal. If applicable, FTE teacher counts may also be calculated for the community services and child care and development services goals.</p> <p>Include in the count those teachers who are assigned to programs operated in the district but who are not employed by the district (e.g., those in special education or regional occupational center/program classes in which the teachers are paid by the county office). These FTE counts are to be recorded in the nonagency activities educational program.</p> <p>For consistency, the FTE teacher count may be developed at any time after classes have been established for the second semester. In a large district an efficient way to compile the total FTE units may be to have each administrator complete a count and then to combine the information into a composite work sheet. Care must be taken to ensure that more than one site administrator does not report the same FTE units.</p> <p>FTE Functions: FTE factors are used to allocate costs in instruction-related functions (2100, 2420, 2490, and 2700) and pupil services functions (3110, 3120, 3130, 3140, 3150, 3160, and 3900).</p>
<p>Classroom Units (CU)</p>	<p>Definition: The classroom unit (CU) allocation factor is the number of units of space occupied by each program. The CU provides a method of converting each program's square footage into a standardized allocation factor. Although the term "classroom unit" was derived from using an "average" classroom as the basis for the measurement, all types of space are included in the CU count, not just classrooms.</p> <p>When calculating CUs, count space that is occupied by an identifiable function or activity. If multiple programs share an area, the CU is allocated to each program on the basis of the percentage of hours the room is used by each program. Report noninstructional programs occupying space in district administration facilities as part of the district administration program.</p>

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	<p>Common-use areas are considered to benefit all programs and are not included in the calculation of CUs. They include areas such as school offices, media centers, libraries, corridors, restrooms, faculty rooms, unoccupied rooms, and outdoor areas (swimming pools, ball fields).</p> <p><i>Instruction and office areas.</i> For "people-occupied" areas, such as instruction or office space, a room that falls with the general range of 800 to 1,100 square feet counts as one (1.0) CU. Areas that fall outside this range are converted to CUs by dividing the actual square footage by 960. For example, a room occupying 1,200 square feet is 1.25 CU (1,200 divided by 960). Examples of areas converted to CUs by using 960 might include large areas, such as science labs, computer labs, multipurpose rooms, and gymnasiums; small areas, such as cubicles for speech therapy; and agencywide administration facilities.</p> <p><i>Operational areas.</i> Buildings such as maintenance shops, warehouses, and transportation facilities generally require approximately one-third the amount of maintenance and upkeep required for spaces used for students and other services. Convert these operational areas to CUs by dividing square footage by 2,880 (960 x 3). Partially enclosed spaces, such as sheds or patios, may be excluded from the calculation.</p> <p><i>Food services.</i> In the area of food services, only the kitchen and serving areas are counted as CUs. The eating area is considered common space and is omitted from the calculation unless other activities occur in this area. If a multipurpose room is used for part of the day for classes and part of the day as the eating area, the CUs for the portion of the day attributable to classes are assigned to the appropriate program, and the portion attributable to food services is omitted.</p> <p>CU Functions: CU factors are used to allocate costs in the plant services functions (8100 and 8700).</p>
<p>Pupils Transported (PT)</p>	<p>Definition: The pupils transported (PT) allocation factor is the number of students transported in the year, which is determined by counting the number of students in each program transported from home to school. This factor represents the number of students, not the number of trips.</p> <p>Special education pupils receiving home-to-school transportation may be counted in the special education program only if their IEPs require home-to-school transportation. Otherwise, these children will be counted as regular students. Pupils who receive home-to-school transportation to attend schools <i>other than their neighborhood schools</i> because of requirements of their IEPs should also be counted as special education PTs.</p> <p>PT Function: PT factors are used only to allocate costs in Function 3600, Pupil Transportation.</p>

Note: Effective 2004-05, the workstation allocation factor used during earlier stages of SACS implementation is no longer a part of program cost accounting. Costs reported in Function 7700, Centralized Data Processing, by definition should be agencywide and are a central administrative cost for program cost reporting and indirect cost purposes. Data processing costs that support instructional programs (e.g., computers in the classroom, instructional computer labs, instructional networks, library computers) should be charged to Function 2420, Instructional Library, Media, and Technology, or Function 1000, Instruction. If all data processing costs are accumulated in Function 7700 (for example, because one data processing person provides technology services for all functions), any instruction-related costs must be reclassified using Object 5710, Transfers of Direct Costs, to Function 2420 or 1000, as appropriate. Methods of determining the amount of instruction-related costs to transfer include work orders or a count of workstations.

Developing Allocation Factor Counts

Because the allocated method applies to costs that did not qualify to be distributed using the documented method, and the purpose of the allocated method is to distribute Goal 0000 costs in a standardized manner, it is important to compile complete factor counts for each instructional setting operated by the LEA. If a function (or group of functions) has costs in Goal 0000, unless specific exclusion conditions have been met, the factor counts for the function(s) must represent all programs operated by the LEA.

For each type of factor, the count should represent a point-in-time to prevent double counting. For instance, if FTE teacher counts were taken for some programs in the fall and for others in the spring, teachers that were reassigned in the interim could be inadvertently counted in more than one program.

Factor counts (FTE, CU, or PT) should be taken at a time that best represents each factor and can correspond with other uses of the same factor, such as pupil transportation counts taken for reports on the transportation program.

Excluding Factors from the Count

The allocated method of distributing support costs is based on the premise that all programs benefit to some degree from the services provided by the support programs. If a program does not benefit from a support service

program or if the program has already been direct-charged for its share of the support service costs, the specific factor count (FTE, CU, PT) that corresponds to the nonbenefiting program is to be excluded (subtracted) from the factor count for that program. For example, if the Continuation Schools program was already direct-charged for costs of school administration, or if it did not benefit at all from the Goal 0000 school administration costs, then the FTE count for the Continuation Schools program would be excluded under the school administration function.

Excluding factors from the count is an exception to the standardized allocation process and requires that documentation exists to substantiate the exclusion. If an instructional program did not benefit from the services of a support program and is being excluded from a factor count, both the instructional program administrator and the administrator of the support service program should confirm the exclusion. If the exclusion is being made because the instructional program has already been direct-charged for a particular support service cost, documentation verifying this should be kept as backup to the count of allocation factors.

Transferring Allocated Costs

Once allocation factors have been calculated, the allocated support costs can be distributed from Goal 0000, Undistributed, to each benefiting program as part of the program cost report process. LEAs are not required to record this transfer of allocated costs in their accounting ledgers.

For those LEAs that choose to record the distribution of these costs, the following is an example where total Goal 0000 costs in Function 3140, Health Services, are distributed to specific goals on the basis of the number of FTE teachers in each instructional goal. A ratio for each instructional setting is determined by dividing the total FTEs in each goal by the total of all FTEs. In this example, this ratio is then applied to the costs in Function 3140, Health Services, and the prorated costs are distributed using Object 5710, Transfers of Direct Costs. (*Note:* The schedule of allocated costs in the program cost report shows, by goal, the amount of support costs allocated to each program. LEAs may wish to use the figures provided by their completed program cost report as the basis for their accounting entries.)

Dr	01-0000-0-1110-3140-5710	\$500,000	Regular Ed, K-12
Dr	01-0000-0-6000-3140-5710	\$100,000	ROC/P
Dr	01-0000-0-3200-3140-5710	\$100,000	Continuation Schools
Dr	01-0000-0-5001-3140-5710	\$150,000	Special Education
Cr	01-0000-0-0000-3140-5710	\$850,000	Undistributed

In the example, costs have been credited to Goal 0000, Undistributed, and debited to specific goals but not to specific resources, which matches the level of detail in the program cost report.

Documenting Salaries and Wages to a Goal

Salaries and wages charged to a specific goal require supporting documentation indicating how the costs relate to the goal. For federal funds or state restricted funds, personnel activity reports, activity work sheets, or equivalent documentation are generally necessary. For state unrestricted funds charged to a specific goal, a lesser level of documentation may be allowable as long as it is consistent and verifiable, such as costs documented to a goal by identification with a position in the personnel/payroll system, an individual's contract, or a class schedule with assigned student enrollment.

For a complete discussion of salary and wage documentation requirements, see Procedure 905.

If supporting documentation is not available for support costs charged to activities (functions) other than instruction, ancillary services, and community services, the costs should be charged as Goal 0000, Undistributed, and subsequently distributed to specific goals on the basis of appropriate program cost allocation factors (see "Allocating Support Costs Using Allocation Factors," page 910-5).

Documenting Nonpersonnel Costs to a Goal

Nonpersonnel costs charged to a specific goal should be substantiated by documentation that identifies the program(s) that received the service, supply, or equipment. The dated signature of a program administrator on a tracking document acknowledging receipt of the service, supply, or equipment is usually sufficient to validate the charge.

Program Cost Reporting

Reporting program costs to CDE involves a series of work sheets that use general ledger data by goal and function, plus allocation factors (FTEs, CUs, PTs) for the distribution of support costs to specific goals. These work sheets are largely automated in CDE's SACS financial data collection software.

The following is a brief description of each work sheet:

- **Schedule of Direct-Charged Costs:** Summarizes, by goal and function, costs direct-charged to a goal.
- **Schedule of Allocation Factors for Support Costs:** Provides for entering allocation factors (full-time-equivalent teachers, classroom units, pupils transported) by goal for functions with costs in Goal 0000, Undistributed, or Goal 9000, Other Local Goals. The factors entered provide the basis for allocating support costs to programs.
- **Schedule of Allocated Support Costs:** Uses information from the allocation factor work sheet to assign a proportionate share of costs in goals 0000 and 9000 to each goal that has factors.
- **Schedule of Central Administration Costs:** Summarizes central administration costs (CACs) and shows the ratio, expressed as a percentage, of CAC costs to non-central-administration costs. This CAC ratio is similar but not identical to an LEA's indirect cost rate (see Procedure 915).
- **Schedule of Other Costs:** Summarizes food service, enterprise, facilities acquisition and construction, and other outgo function costs, which for program cost accounting purposes are not associated with a particular goal.
- **The Program Cost Report:** Compiles information from the previous schedules to display total General Fund (Fund 01) costs by goal and category (e.g., direct-charged, allocated support, central administration). Also includes an "other" costs section.

Summary of Program Cost Guidelines

The following are summarized guidelines that show for each group of functions the program cost category, guidelines for charging to goals, and program cost allocation rules.

Function and Title

1000–1999 Instruction

- Direct instructional cost.
- Must be charged directly to a specific goal; may not be charged to Goal 0000, Undistributed; Special Education instruction functions may not be charged to Goal 5001, Special Education—Unspecified.
- Costs may not be allocated.

2100–2999 Instruction-Related Services

2100 Supervision of Instruction

2420 Instructional Library, Media, and Technology

2490 Other Instructional Resources

- Support cost.
- May be charged directly to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.
- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is FTE (full-time-equivalent teachers).

2700 School Administration

- Support cost.
- May be charged directly to a specific goal when documentation exists and the school site offers only one type of program; or may be accumulated in Goal 0000, Undistributed.
- Allocation basis is FTE (full-time-equivalent teachers).

3000–3999 Pupil Services

3110 Guidance and Counseling Services

3120 Psychological Services

3130 Attendance and Social Work Services

3140 Health Services

3150 Speech Pathology and Audiology Services

3160 Pupil Testing Services

- Support cost.
- May be charged directly to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.

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Function and Title

- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is FTE (full-time-equivalent teachers).

3600 Pupil Transportation

- Support cost.
- May be charged directly to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.
- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is PT (pupils transported).

3700 Food Services

- "Other" cost.
- Generally charged to a specific goal if proper documentation exists; otherwise, costs are accumulated in Goal 0000, Undistributed.
- Costs may not be allocated.

3900 Other Pupil Services

- Support cost.
- May be charged directly to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.
- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is FTE (full-time-equivalent teachers).

4000-4999 Ancillary Services

- Direct instructional cost.
- Must be charged directly to one of the following goals: 1110–Regular Education; 3100–Alternative Schools; 3200–Continuation Schools; 3400–Opportunity Schools; 3700–Specialized Secondary Programs; 7100–Nonagency.
- Costs may not be allocated.

5000–5999 Community Services

- Direct instructional cost.
- Must be charged directly to one of the following goals: 7100–Nonagency; 8100–Community Services; 8500–Child Care and Development Services.
- Costs may not be allocated.

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Function and Title

6000–6999 Enterprise

- "Other" cost.
- Costs are accumulated in Goal 0000, Undistributed.
- Costs may not be allocated.

7000–7999 General Administration

7100 Board and Superintendent

7190 External Financial Audit—Single Audit

7191 External Financial Audit—Other

7200 Other General Administration

7700 Centralized Data Processing

- Central administration cost.
- Generally accumulated in Goal 0000, Undistributed.
- Distributed proportionately to programs on the basis of the total amount of direct costs (i.e., direct-charged together with allocated) in each goal.

8000–8999 Plant Services

8100 Plant Maintenance and Operations

8700 Facilities Rents and Leases

- Support cost.
- May be charged directly to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.
- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is CU (classroom units).

8500 Facilities Acquisition and Construction

- "Other" cost.
- Generally accumulated in Goal 0000, Undistributed.
- Costs may not be allocated.

9000–9999 Other Outgo

9100 Debt Service

9200 Transfers Between Agencies

9300 Interfund Transfers

- "Other" cost.
- Generally accumulated in Goal 0000, Undistributed.
- Costs may not be allocated.

Costs of a local educational agency (LEA) can be categorized as direct or indirect. A cost's related activity (e.g., instruction, school administration, pupil transportation, fiscal services) rather than its type (e.g., salaries, benefits, books, supplies) is what determines if it is a direct or indirect cost. Direct costs can be identified with a particular instructional program or support service necessary to maintain the program, whereas indirect costs are more global in nature.

Indirect costs are those costs of general management that are agencywide. General management costs consist of expenditures for administrative activities necessary for the general operation of the LEA (e.g., accounting, budgeting, payroll preparation, personnel management, purchasing, centralized data processing). The standardized method to recover indirect costs from federal and state programs without having to time-account for the general administrative support provided to each program is referred to as the indirect cost rate process.

The indirect cost rate process in California is based on the California Department of Education's (CDE's) federally approved indirect cost plan for K–12 LEAs, which include school districts, joint powers agencies, county offices of education, and charter schools. California's plan includes specific guidelines on indirect cost components, including the indirect cost pool, base costs, and the carry-forward adjustment.

The United States Department of Education has approved the fixed-with-carry-forward restricted rate methodology for calculating indirect cost rates for California LEAs. CDE has been delegated authority to calculate and approve indirect cost rates annually for LEAs.

Definitions of key indirect cost terms are provided beginning on page 915-13.

Components of the Indirect Cost Rate Calculation

In simple terms, an indirect cost rate is determined by dividing an agency's indirect costs by the majority of its other expenditures, or base costs. However, the realities of the calculation are much more complex. Compliance with federal indirect cost guidelines requires that specific rules must be followed when expenditures are categorized as indirect or base costs. Fortunately for California, the majority of these rules are built into the function code within the standardized account code structure.

An LEA's general ledger data, in combination with a minimal amount of supplemental data, are used to categorize the LEA's expenditures as indirect costs, base costs, or excluded costs. The indirect costs become the numerator of the calculation, and the base costs are the denominator. Certain costs, such as debt service and facility construction, are excluded entirely from the calculation.

Numerator of the Calculation

The numerator of the indirect cost rate calculation—the indirect cost pool—is the cornerstone of the calculation. Costs in the pool come from the general fund and the charter school special revenue and/or charter school enterprise fund. There are three components to the numerator: indirect costs, general administration's share of certain plant services costs (e.g., maintenance and operations, facilities rents and leases), and the carry-forward adjustment.

Indirect costs consist of agencywide expenditures for general management (administrative) activities that are not readily identifiable with a particular program but are necessary for the overall operation of the LEA (e.g., accounting, budgeting, payroll preparation, personnel management, purchasing, warehousing, centralized data processing). Generally, only administrative costs charged to an unrestricted funding source (resources 0000–1999) are included in the indirect cost pool. An exception is made for joint powers agencies, which are often funded from a single restricted source.

Certain plant services costs (e.g., heating, lighting, custodial services) are also included in the indirect cost pool, but only the portion attributable to the general administrative offices. (See "Supplemental Data" on page 915-4 for further information on determination of the administrative portion of plant services costs.)

The carry-forward adjustment is an after-the-fact adjustment for the difference between the indirect cost rate approved for use in a given year and the actual percentage (amount) of indirect costs incurred in that year. The carry-forward adjustment eliminates the need for LEAs to file amended federal reports when their actual indirect costs vary from estimated indirect costs. (See "Calculating the Rate" beginning on page 915-5 for an example that illustrates the use of the carry-forward adjustment.)

Denominator of the Calculation

Once indirect costs have been identified, the majority of the LEA's remaining costs in the general fund and charter school funds comprise the denominator of the calculation, referred to as base costs. Examples of base costs include:

- Instructional salaries and benefits.
- Program supplies.
- Contracts for instructional and support services.
- Board and superintendent services.
- Facility costs (plant maintenance and operations and facilities rents and leases), except for the minimal portion associated with the general administrative offices.

Base costs also include similar expenditures from four special revenue funds (adult education, cafeteria, child development, and foundation), the foundation permanent fund, and the cafeteria enterprise fund, because the activities in these funds generally benefit on an ongoing basis from the services provided by the LEA's general administrative offices.

Excluded Costs

Certain types of costs are distorting in nature or require relatively minimal general administrative support compared with the amount of dollars spent. Because these costs would distort the indirect cost process, they are excluded from the calculation of the indirect cost rate. Following are the notable categories of costs excluded from the calculation:

- **Subagreements for Services** (Object 5100), which include expenditures for subagreements and subawards pursuant to certain contracts, subcontracts, and subgrants.
- **Capital Outlay** (objects 6000–6999), which includes expenditures for items such as the acquisition of land; improvements to sites; construction or purchase of new buildings; books and media for new schools; major expansions of school libraries; and capitalized equipment.
- **Other Outgo** (objects 7000–7499) and **Other Financing Uses** (objects 7600–7699), which include expenditures for items such as

- tuition, excess cost payments, pass-through funds, transfers out, debt service, and transfers between funds.
- **Other Funds**, which include expenditures of certain governmental funds (e.g., deferred maintenance, capital facilities), the proprietary funds other than cafeteria, and the fiduciary funds.

For the same reasons that these costs are excluded from the calculation of the indirect cost rate, they are also excluded from pools of eligible program expenditures on which to charge indirect costs (see "Amount of Indirect Costs to Charge," page 915-7).

Supplemental Data

In some circumstances supplemental data may be required to accurately identify all indirect costs and to fully comply with federal indirect cost guidelines.

Percent of administrative salaries and benefits. Most facility costs (plant maintenance and operations and facilities rents and leases) are categorized as base costs in a restricted indirect cost rate calculation. However, the portion of facility costs attributable to the general administrative offices may be included in the indirect cost pool.

To ensure that LEAs use a standardized method of attributing facility costs associated with the general administrative offices, a "percentage of administrative salaries and benefits" factor is used in the indirect cost rate calculation. This ratio of salaries and benefits for administration is used as a proxy for the ratio of space used by administration, which spares LEAs the necessity of annually calculating the space used by administration compared with each of their other programs and activities.

When the ratio is calculated, an adjustment may be required in those occasional circumstances where costs for administrative salaries and benefits are understated because certain administrative services, although performed on site, are provided by contract rather than by the LEA's own employees. If this occurs, LEAs may provide supplemental data to adjust the ratio for costs relating to such services.

The ratio of administrative salaries and benefits to other salaries and benefits is then multiplied by the costs of plant maintenance

and operations and facilities rents and leases to assign to the indirect cost pool an "administrative offices" share of these facility costs.

Employment separation costs. Some costs relating to employees' separation from service may have restrictions on how they can be charged (see Procedure 655, Employment Separation Costs).

"Normal" separation costs are unallowable as direct costs to federal programs and possibly to some state programs. When unallowable as direct costs, they are allowed as indirect costs. Normal separation costs that are unallowable as direct costs to a restricted program are charged to the same goal, function, and object as the employee's regular salary, but they are charged to an unrestricted resource. The LEA may then provide supplemental data to include these costs in the indirect cost pool.

"Abnormal or mass" separation costs, such as retirement incentives or contract buyouts, are unallowable either as direct costs or indirect costs to federal programs and possibly to some state programs. Abnormal or mass separation costs that are unallowable as direct costs to a restricted program are charged to the same goal, function, and object as the employee's regular salary, but they are charged to an unrestricted resource. Where an LEA has incurred abnormal or mass separation costs for employees charged to the indirect cost pool (Function 7200, Other General Administration, or Function 7700, Centralized Data Processing), the LEA must provide supplemental data to exclude these costs from the pool.

Calculating the Rate

The actual calculation of the indirect cost rate includes components from both the current year plus the second prior year (two years before the current period). The rate based on these data will then be used in the second subsequent fiscal year (two years after the current period). This span of time is characteristic of the fixed-with-carry-forward type of rate calculation.

The following example uses 2007-08 as the current reporting period and illustrates the fiscal years affected by the indirect cost rate calculation:

In 2007-08, indirect costs are charged to programs using an indirect cost rate that was calculated and approved based on 2005-06 data. Any difference between the indirect costs

that theoretically could be charged to programs in 2007-08 based on this approved rate and the actual indirect costs incurred in that year (i.e., the theoretical over- or under-recovery of indirect costs) is called a carry-forward adjustment. *Note:* This adjustment compares what theoretically could be charged based on the approved rate, not what was actually charged.

Then, based on the actual indirect costs and base costs incurred in 2007-08 and the carry-forward adjustment, a new indirect cost rate will be calculated for use in 2009-10.

LEAs submit their indirect cost rates annually to CDE along with their unaudited actual financial statement data. An automated work sheet (Form ICR) in the financial reporting software calculates LEA indirect cost information. (See page 915-11 for an excerpt from the work sheet.) The work sheet uses both general ledger data (for indirect and base costs) and minimal amounts of supplemental data (see page 915-4).

These general ledger and supplemental data, along with certain second prior year indirect cost information, produce both a straight percentage of indirect costs (the indirect cost pool divided by base costs) and the fixed-with-carry-forward restricted indirect cost rate (the indirect cost pool, adjusted by the carry-forward calculation, then divided by base costs). The straight percentage of indirect costs is only for informational purposes and not for use in recovering indirect costs from programs. The fixed-with-carry-forward restricted indirect cost rate, once approved by CDE, is the rate that should be used to recover indirect costs.

Using the Rate

Approved indirect cost rates for K–12 LEAs, including charter schools, are posted online annually at <http://www.cde.ca.gov/fg/ac/ic>, usually in early spring. The rates may be used, as appropriate, to budget, allocate, and recover indirect costs for federal programs, grants, and other assistance governed by the Office of Management and Budget (OMB) Circular A-87, the *Education Department General Administrative Regulations* (EDGAR), and the *Code of Federal Regulations (CFR)*, Title 34. The rates may also be used for state programs, subject to any restrictions that may govern the individual programs.

Indirect Cost Rates for Individual Schools

Individual schools may use an indirect cost rate not to exceed their school district's rate (or county office of education's rate, if applicable). An exception to this is charter schools, which have separate indirect cost rate guidelines. The Web site given earlier includes a list of rates for school districts and county offices of education that should be used by noncharter schools, together with a separate listing of charter school rates.

Guidelines for Claiming Indirect Costs

Specific guidelines for charging indirect costs may vary by program. The following are general guidelines for using the indirect cost rate.

- **Budgeting.** An estimate of indirect costs may be used for budgeting purposes. If a program has a set award amount, it is important to budget indirect costs that fit within the award amount rather than add them to the award amount. To do this, and assuming for this example that none of the award amount will be spent on excluded costs (see page 915-3), divide the award amount by 1.xx, where xx equals the decimal equivalent of the approved indirect cost rate, then subtract the result from the original award amount to arrive at the amount of budgeted indirect costs. For example, using 8 percent as the approved rate and \$10,000 as the award amount, divide \$10,000 by 1.08, equaling \$9,259.26, and then subtract \$9,259.26 from \$10,000, equaling \$740.74, which is the amount that may be budgeted for indirect costs ($\$9,259.26 + \$740.74 = \$10,000$).
- **Amount of Indirect Costs to Charge.** The claiming of indirect costs must be done based on actual program expenditures rather than budget estimates. The maximum amount of indirect costs that may be charged to an award in a year is determined by multiplying the total direct costs of the award, less any excluded costs (see page 915-3), by the restricted indirect cost rate. In terms of SACS, this generally equates to totaling the program expenditures in objects 1000–5999, except Object 5100, and multiplying that total by the indirect cost rate approved for use with the program. Expenditures in objects 5100, 6000, and 7000 are excluded from the indirect cost process (both when the rates are calculated and indirect costs are claimed) because they receive only a minimal amount of general administrative support compared with the

amount of dollars spent, and to include them would distort the process.

LEAs have the option of charging less than the approved rate when recovering indirect costs. However, whether the approved rate or a lesser rate is used, the carry-forward adjustment is still calculated using the LEA's approved rate. Also, indirect costs not claimed under one award may not be shifted to another award unless specifically authorized by legislation or regulation.

- **Program Limitations on Charging Indirect Costs.** The approved indirect cost rate provides the starting point for charging indirect costs to a program. Funding applications or award letters should be consulted to determine whether programs limit or prohibit the claiming of indirect costs. Some of the more common limitations include:
 1. Limiting the indirect cost rate to the lesser of the LEA's approved rate or a program's capped rate.
 2. Limiting the indirect cost rate to the lesser of the LEA's approved rate or a statewide average rate, such as for the food service or adult education programs. Information on these statewide average rates is available at <http://www.cde.ca.gov/fg/ac/ic/icrfsae.asp>.
 3. Having an administrative cost cap that limits the combination of direct program administration and indirect costs charged to the program.
 4. Not allowing indirect costs (i.e., requiring that the entire award amount be spent on direct costs).

As a help in identifying the indirect cost rules for most programs, a SACS resource code query system is available on the Internet at <http://www.cde.ca.gov/fg/ac/ac/ap/querybyresource.asp>. The data provided for each resource code (i.e., funding source) include the general guidelines for claiming indirect costs.

- **Administrative Cost Caps.** Indirect costs are usually a subset of the broader category of administrative costs (see page 915-13). A program with an administrative cost cap should be reviewed to determine what limitations there might be on the recovery of indirect costs. For example, in a program that has a 15 percent

administrative cost cap that encompasses both direct program administration and indirect costs, if the LEA has already spent 11 percent on direct program administration, then it can claim only 4 percent for indirect costs even if the LEA's approved indirect cost rate is higher than 4 percent.

- **Multiple-Year Awards.** For program awards that cover more than one year, a single rate may not be used to recover indirect costs for the entire award; the indirect cost rate used must change as the year changes. For programs that follow the federal fiscal year (October 1 to September 30), the rates are applied using the state fiscal year as the basis. For example, the approved rate for the initial year is used for expenditures made October 1 through June 30, and the approved rate for the next year is used for expenditures made July 1 through September 30.
- **Eligible Funds and Costs.** The indirect cost rate is appropriate for use with only those operating funds and costs that are part of the calculation. For instance, costs in objects 1000–5999 (except Object 5100), in Fund 01 (general), funds 09 and 62 (charter schools), Fund 11 (adult education), Fund 12 (child development), funds 13 and 61 (cafeteria), and funds 19 and 57 (foundation) are part of the indirect cost rate calculation; therefore, expenditures in these fund and object combinations may generally have indirect costs charged against them. Costs in objects that are excluded from the calculation of the rate (e.g., subagreements for services, capital outlay, other outgo) and in funds excluded from the calculation (e.g., deferred maintenance, capital facilities) should not have indirect costs charged against them.

Indirect Costs, Central Administration, and Program Administration

For California LEAs, three cost accounting concepts are similar but not identical: indirect costs, central administration costs, and overall program administrative costs.

- **Indirect costs** in the restricted indirect cost rate calculation include agencywide general administration costs such as accounting, budgeting, payroll preparation, personnel management, purchasing, warehousing, and centralized data processing services, plus the minimal portion of facility costs (plant maintenance and operations and facilities rents and leases) spent in support of the general administration activities/offices.

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- **Central administration costs** are a component of program cost accounting (see Procedure 910) and include indirect costs as described above, less the facility costs attributed to general administration, plus costs for the school board and superintendent.
- **Overall program administration costs**, in the context of indirect cost determinations or administrative cost caps, generally refers to administrative costs direct-charged to the program together with indirect costs charged to the program (see page 915-13). However, individual programs may have different definitions of administrative costs. There is currently no single definition that applies to all programs.

Because there are differences in the three cost pools, percentages or ratios calculated from them will differ. Although these differences could be minor, the three cost pools have unique purposes and are not interchangeable.

Transferring Indirect Costs

Specific function and object codes are defined in the standardized account code structure to aid in tracking the transfer of indirect costs between programs:

- Function 7210, Indirect Cost Transfers
- Object 7310, Transfers of Indirect Costs
- Object 7350, Transfers of Indirect Costs—Interfund

Where a program authorizes charges for administrative costs on a basis other than the indirect cost rate, the costs should not be transferred as indirect costs. They should either be charged directly to the program or transferred to the program as direct costs.

Indirect and direct cost transfers are illustrated in Procedure 615.

Indirect Cost Rate Work Sheet**Indirect Cost Rate Calculation Based on the 2007-08 Reporting Period
(Funds 01, 09 and 62, unless indicated otherwise)****A. Indirect Costs (numerator)**

1. Other General Administration – (Functions 7200–7600, Objects 1000–5999 and 7380, less portion on line B8 charged to restricted resources or specific goals)
2. Centralized Data Processing – (Function 7700, Objects 1000–5999, less portion on line B9 charged to restricted resources or specific goals)
3. External Financial Audit – Single Audit (Function 7190, Objects 5000–5999)
4. Staff Relations and Negotiations (Function 7120, Objects 1000–5999)
- 5a. Employment Separation Costs – add normal separation costs charged to Resources 0000–1999 for restricted positions, from line B12a
- 5b. Employment Separation Costs – subtract abnormal separation costs charged to Functions 7200–7700 and included in line A1 or A4
6. Plant Maintenance and Operations – only indirect portion (Functions 8100–8400, Objects 1000–5999, except 5100, times the percentage of total salaries and benefits attributable to other general administration and centralized data processing)
7. Facilities Rents and Leases – only indirect portion (Function 8700, Resources 0000–1999, Objects 1000–5999, times the percentage of total salaries and benefits attributable to other general administration and centralized data processing)
8. Total Indirect Costs (sum of lines A1 through A7)
9. Carry-Forward Adjustment (line A8 plus 2005-06 carry-forward adjustment, minus [2007-08 approved indirect cost rate times line B17])
10. Total Adjusted Indirect Costs (line A8 plus line A9)

B. Base Costs (denominator)

1. Instruction (Functions 1000–1999, Objects 1000–5999, except 5100)
2. Instruction-Related Services (Functions 2000–2999, Objects 1000–5999, except 5100)
3. Pupil Services (Functions 3000–3999, Objects 1000–5999, except 5100)
4. Ancillary Services (Functions 4000–4999, Objects 1000–5999, except 5100)
5. Community Services (Functions 5000–5999, Objects 1000–5999, except 5100)
6. Enterprise (Function 6000, Objects 1000–5999, except 5100)

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7. Board and Superintendent (Functions 7100–7180, except 7120, Objects 1000–5999)
- 7a. External Financial Audit—Other (Function 7191, Objects 5000–5999)
8. Other General Administration—portion charged to restricted resources or specific goals (Functions 7200–7600, Resources 2000–9999, Objects 1000–5999 and 7380; plus Functions 7200–7600, Resources 0000–1999, Goals 0001–8999, Objects 1000–5999 and 7380)
9. Centralized Data Processing—portion charged to restricted resources or specific goals (Function 7700, Resources 2000–9999, Objects 1000–5999, plus Function 7700, Resources 0000–1999, Goals 0001–8999, Objects 1000–5999)
10. Plant Maintenance and Operations—all except indirect portion (Functions 8100–8400, Objects 1000–5999, except 5100, minus line A6)
11. Facilities Rents and Leases—all except indirect portion (Function 8700, Resources 0000–1999, Objects 1000–5999, except 5100, minus line A7; plus Function 8700, Resources 2000–9999, Objects 1000–5999, except 5100)
- 12a. Employment Separation Costs – reclassification from "base" to "indirect" (subtract normal separation costs charged to Resources 0000–1999 for restricted positions and included in lines B1 to B10)
- 12b. Employment Separation Costs – reclassification from "indirect" to "base" (add abnormal separation costs charged to Functions 7200–7700 from line A5b)
13. Adult Education (Fund 11, Functions 1000–6999, 8100–8400, 8700, Objects 1000–5999, except 5100)
14. Child Development (Fund 12, Functions 1000–6999, 8100–8400, 8700, Objects 1000–5999, except 5100)
15. Cafeteria (Funds 13 and 61, Functions 1000–6999, 8100–8400, 8700, Objects 1000–5999, except 5100)
16. Foundation (Funds 19 and 57, Functions 1000–6999, 8100–8400, 8700, Objects 1000–5999, except 5100)
17. Total Base Costs (sum of lines B1 through B16)

C. Straight Indirect Cost Percentage (before carry-forward adjustment) (line A8 / line B17)

D. Indirect Cost Rate (fixed with carry-forward rate for use in 2009-10, subject to CDE approval) (line A10 / line B17)

Note: The following expenditures are excluded from the indirect cost rate calculation and therefore cannot have indirect costs charged against them when indirect costs are claimed: Subagreements for Services (Object 5100); Capital Outlay (Objects 6000–6999); Other Outgo (Objects 7000–7499); Other Financing Uses (Objects 7600–7699); Facilities Acquisition and Construction (Function 8500); and Debt Service, Transfers Between Agencies, and Interfund Transfers (Functions 9000–9999) (see page 915-7, Amount of Indirect Costs to Charge).

Definitions of Indirect Cost Terms

Administrative costs. Any costs, indirect or direct, that are administrative in nature and support the management of a program. Costs of program administration may encompass both direct costs (e.g., salaries of program administrators, costs of program monitoring and preparing program plans) and indirect costs (e.g., personnel/human resources, accounting, and procurement).

Pursuant to the U.S. Department of Education's *Indirect Cost Determination: Guidance for State and Local Government Agencies*, various education programs have statutory or regulatory limitations on the costs of administration, which can encompass both personnel and non-personnel costs and both direct and indirect costs. Therefore, the statutory or regulatory limitation applies to the combined charges for indirect costs and direct program administration costs.

Approved rate. Same as *indirect cost rate*.

Base costs. Pool of direct costs from the general, charter schools, adult education, cafeteria, child development, and foundation funds minus any excluded costs, such as subagreements for services, major equipment purchases, facility construction, debt service, and transfers to other agencies.

Carry-forward adjustment. An adjustment used in calculating the indirect cost rate where the difference between the estimated indirect costs and the actual indirect costs is "carried forward." The adjustment takes into account (1) the LEA's approved indirect cost rate for the year, (2) the original carry-forward amount used to calculate that rate, and (3) that year's estimated indirect costs (i.e., base costs times the approved rate).

Consistent cost treatment. Costs incurred for the same purpose in like circumstances should be treated as only direct or only indirect. A cost may not be charged to a program as a direct cost if other costs incurred for the same purpose are allocated to programs as an indirect cost.

For example, if an employee provides services that would normally be performed by the business office, the cost should be charged as an indirect cost activity (Function 7200) even if the employee spends 100 percent of his or her time working on a particular program. This consistent cost treatment prevents a program from being charged for business office services as a direct cost and then again when indirect costs are charged to the program. However, if an employee provides supplemental services

above the level provided by the business office or if he or she provides services normally required of program managers, the cost would be considered a project-related administration cost (Function 2150) rather than an indirect cost.

Direct costs. Costs that provide measurable, direct benefits to particular programs, including costs for instructional programs, and support costs that relate to the peripheral services necessary to maintain the instructional programs. Examples of direct costs include salaries and benefits of teachers and instructional aides, payments for textbooks, instructional supply purchases, and pupil service costs (e.g., counseling, health services, pupil transportation).

Estimated indirect costs. The amount of indirect costs arrived at by multiplying the base costs by the approved rate for that year.

Excluded costs. Costs excluded from the indirect cost rate calculation because the activities are distorting in nature or require relatively minimal general administrative support compared to the amount of dollars spent. For example, subagreements for services, capital outlay (sites, improvement of sites, buildings, improvement of buildings, new or major expansions of school libraries, capitalized equipment), and other outgo (tuition, transfers to other agencies, debt service, financing uses).

Fixed-with-carry-forward. For California LEAs, the restricted indirect cost rate is computed and "fixed" for a specific period on the basis of an estimate of that period's level of operations. Once the actual costs of that period are known, the difference between the estimated and actual indirect costs is "carried forward" as an adjustment to the new calculation.

Form ICR. A work sheet within CDE's year-end financial data collection software that calculates the LEA's percentage of indirect costs and its fixed-with-carry-forward indirect cost rate.

Function code. The field in the standardized account code structure that identifies a cost's general operational area and distinguishes whether it is an indirect or base cost.

Indirect cost percentage. A percentage arrived at by dividing the current period's indirect costs by the base costs.

Indirect cost pool. The indirect costs of the agency together with the portion of plant maintenance and operations and facilities rents and leases

spent in support of indirect cost activities (i.e., general administration offices).

Indirect cost rate (ICR). An allocation technique used to distribute indirect costs to federal, state, and local programs. The indirect cost rate is the ratio (expressed as a percentage) of the adjusted indirect costs to the direct base costs. For California LEAs, the indirect cost rate represents a fixed-with-carry-forward restricted indirect cost rate used to recover indirect costs from federal and state programs.

Indirect costs. Agencywide general management costs not readily identifiable with a particular program but necessary for the overall operation of the agency (e.g., costs of accounting, budgeting, payroll preparation, personnel management, purchasing, warehousing, centralized data processing).

OMB Circular A-87. The Office of Management and Budget (OMB) Circular A-87, titled *Cost Principles for State, Local, and Indian Tribal Governments*. OMB Circular A-87 includes the general cost principles that govern California's indirect cost plan and process. *Note:* OMB Circular A-87 was relocated August 31, 2005, to Title 2 in the *Code of Federal Regulations (2 CFR)*, Subtitle A, Chapter II, part 225.

Restricted rate. Same as *indirect cost rate*.

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Appendix A Analysis of Salaries

This list provides guidance to LEAs on the object and function combinations that may be used for various job positions. It is not intended to be an all-inclusive list; rather, it is a representative sample on which LEAs can expand. Optional functions, where shown, are in *italics*.

Salary Object Classification	Function	Position Title
1100 Teachers	1000	Teacher, Adaptive Physical Education
	1000	Teacher, Assistant (credentialed)
	1000	Teacher, Coach, P.E. (credentialed)
	1000	Teacher, Resource Specialist
	1000	Teacher, Speech
	1000	Teachers, Student (permit)
	1000	Teacher, Substitute
	1000	Teacher, Tutor (credentialed)
	1000	Certificated Playground Supervisor
	4000	Stipend to Teacher for Extracurricular Activities
1200 Certificated Pupil Support	2420	Librarian
	3110	Counselor, Pupil/Parent
	3120	Psychologist
	3130	Child Welfare/Attendance (SARB)
	3130	Social Worker
	3140	Nurse
	3140	Dental Hygienist (credentialed)
	3140	Dentist (credentialed)
1300 Certificated Supervisors and Administrators	3150	Audiologist (credentialed)
	2700	Dean
	2700	Dean, Assistant
	2700	Principal
	2700	Principal, Assistant
	2700	Registrar (credentialed)
	2700	Vice-Principal
	Various	Coordinator
	Various	Director
	Various	Specialist
	Various	Supervisor
	2100	Superintendent, Assistant, Instruction
7100	Superintendent (credentialed)	

Appendix A Analysis of Salaries

Salary Object Classification	Function	Position Title
	7200	Superintendent, Assistant, Finance (if credential is required)
	2700	Stipend to Teacher for Academic Department Chair
1900 Other Certificated	2100	Program Specialist, Special Education
	2100	Program Specialist, Other
	2100/2140	Mentor Teacher Stipend
	2490	Resource Specialist–Not Classroom
	5000/5400	Civic Center Employees (credentialed) (<i>Education Code</i> Section 38130 et seq.)
2100 Instructional Aides	1000	Bilingual Teacher Aide
	1000	Classroom Teacher Aide
	1000	Special Education Classroom Interpreter
	1000	Teacher Aide Substitute
	1190	Orientation and Mobility Therapist (not credentialed)
	4000	Coach, Classified (after school)
2200 Classified Support	2420	Media Aide
	2420	Library Aide
	2420	Computer Lab Technician
	3110	Career Center Assistant
	3120	Psychologist (classified)
	3150	Audiologist (classified)
	3150	Audiometrist (classified)
	3140	Health Aide
	3600	Bus Driver
	3600	Bus Mechanic
	3700	Cook
	3700	Nutritionist
	2420	Instruction-related Data Processing Computer Operator
	7200	Centralized Data Processing Computer Operator
	7500	Warehouse Worker
	8100	Custodian
	8100	Delivery Person
	8100	Gardener
	8100	Maintenance Worker
	8100/8300	Guard
	4000/4100	Stage Hand
	3130	Truancy Officer
	4000/4100	Student Employee for Ancillary Events
	8100/8300	Crossing Guard

Appendix A Analysis of Salaries

Salary Object Classification	Function	Position Title
	2490/2495/ 5000	Child Care Personnel (noninstructional)
	Various	Interpreter
2300 Classified Supervisors and Administrators	2700	Site Administrator
	7100	Governing Board Member
	7100	Superintendent (not credentialed)
	7200	Accountant, Chief
	7200	Business Manager
	7200	Controller
	7200	Assistant Superintendent, Finance
	7200	Personnel Commission Member
	7200	Purchasing Director/Manager
	Various	Coordinator of _____
	Various	Director of _____
	Various	Supervisor of _____
2400 Clerical, Technical, and Office Staff	7200	Accountant
	7200	Bookkeeper
	7200	Buyer (LEA-wide purchasing)
	7200	Duplicating Machine Operator
	7700	Computer Operator (centralized data processing)
	7700	Programmer or Analyst (centralized data processing)
	2420	Computer Services Technician (instruction-related)
	7700	Computer Services Technician (centralized data processing)
	2700/7200	Attendance Clerk
	Various	Clerk
	Various	Secretary
2900 Other Classified	1000	Students (instructional purposes only)
	1000	Noon Duty Personnel
	5000/5400	Civic Center Aides
	8500	Building Inspectors

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Appendix D Function Codes for Common Activities

The following table lists many common activities and the function code(s) typically associated with each. Optional codes are *italicized*. The activities shown are intended as a guide rather than as a definitive list. It is important to be familiar with the function descriptions in Procedure 325 to ensure proper use of function codes.

Description	Typical Function(s)
Accounting—Agencywide	7200
Accounting—Administration of Instructional Special Projects	2100/2150
Adaptive Physical Education—Special Education	1190
Administration of Instruction	2100
Administration of Instructional Special Projects	2100/2150
Administrative Activities—Agencywide	7100 or 7200
Administrative Unit (AU) of a Multidistrict SELPA	2200
Alarm Systems	8100/8300
Ancillary Services	4000
Appraisal Services—Students	3110
Assistant Principal	2700
Assistant Superintendent—Agencywide	7100/7150
Assistant Superintendent—Business	7200
Assistant Superintendent—Instruction	2100
Assistive Services—Special Education	1190
Assistive Technology—Special Education	1130
Athletics—School-Sponsored (e.g., competition between schools)	4000/4200
Attendance Reporting—Agencywide	7200
Attendance Reporting—School Level	2700
Attendance Services—Improve Student Attendance	3130
Attendance Truancy Officer	3130
Audiology Services	3150
Audit—Annual Independent	7190 or 7191
Audit—Program Performance or Monitoring	2100/2150
Auditing—Internal	7200/7370
Auditors—External	7190 or 7191
Board of Education	7100/7110
Books—Materially expand library or stock new library	8500
Books and Other Reference Materials	Function of area requesting the purchase
Braille Services—Special Education	1130
Budget Monitoring—Program Specific (instruction-related)	2100/2150
Budgeting—Agencywide	7200
Buildings and Improvements of Buildings	8500

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Bus Driver Training and Certification	3600
Bus Driver	3600
Bus Maintenance Personnel	3600
Career Counseling	3110
Chief Business or Financial Officer	7200
Chief Executive Officer	7100/7150
Child Care—Community Services (e.g., day care center to assist working parents)	5000
Child Development—Preschool	1000
Co-curricular Activities—School-Sponsored (e.g., band, chorus, choir, speech)	4000/4100
Communications—Telephone lines, fax lines, pagers	2700 or 7200 (refer to Object 5900)
Communications—Agencywide data processing (e.g., connectivity to county data processing systems)	7700
Communications—Instruction related (e.g., Internet access, cable television)	1000, 2420 or 2700 (refer to Object 5900)
Community Relations	7100/7150
Community Services	5000
Community Services—Custodian (paid overtime or extra time for services performed entirely as a result of community services)	5000
Computer-assisted Instruction—Classroom, school networks, computer labs	1000 or 2420
Conference Fees—Staff Development	Normally employee's function
Counseling Services	3110
Credential Services	7200/7430
Curriculum Development	2100/2130
Curriculum Improvement	2100
Custodian	8100/8200
Custodian—Community Services (paid overtime or extra time for services performed entirely as a result of community services)	5000
Data Processing—Centralized (e.g., computer facility management, systems development, agencywide attendance applications, fiscal systems)	7700
Data Processing—Classroom- or Instruction-Related (if accumulated in Function 7700, must be transferred using Objects 5710/5750)	1000 or 2420
Dental Services to Students	3140
Department Chairperson	2700
Deputy Superintendent—Agencywide	7100/7150
Director of Instructional Program (e.g., special education, bilingual education, or similar programs)	2100

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Duplicating—Instructional Materials	1000–1999
Duplicating—Program Specific (may be accumulated in Function 7200, then transferred using Objects 5710/5750)	Use program function.
Duplicating, Printing, Publishing—Administrative Publications (e.g., annual reports, agencywide directories or bulletins)	7200/7550
Education Technological Services—Special Education	1190
Educational Television Instructional Programs	2420
Election Costs	7100/7110
Evaluate School Staff Members	2700
Field Trip Transportation (may be accumulated in Function 3600, then transferred using Objects 5710/5750)	1000–1999
Fiscal Services—Agencywide	7200
Food—Instruction Related (e.g., cooking class supplies, instructional rewards)	1000–1999
Food Services to Students	3700
Graduation Expenses	2700
Grant Procurement	7100/7150
Guidance Services	3110
Hall Monitoring	8100/8300
Health Services	3140
Hearing Screening	3140
Hearing Services (e.g., loss, function, impaired hearing)	3150
Home and Hospital Instruction—Regular Education	1000
Home and Hospital Instruction—Special Education	1130
Human Resources (e.g., recruitment, credential services, agencywide training for noninstructional staff)	7200/7400
Information Dissemination to Students (e.g., educational, occupational, personal, and social)	3110
In-house Instructional Staff Development	2100/2140
Instruction—Home and Hospital	1000 or 1130
Instruction—Special Education	1100–1199
Instruction—Teachers in the classroom and via alternate media (e.g., computer, television, correspondence, radio)	1000
Instructional Administration	2100
Instructional Administration—Special Projects (typically funded from a specific resource and requires project budget and audit)	2100/2150
Instructional Aide—Regular Education	1000
Instructional Aide—Special Education	1110–1130
Instructional Staff Development—In-house	2100/2140
Instructional Library	2420
Instructional Materials—Guidance of Teachers	2100

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Instructional Media	2420
Instructional Programs—Selecting, preparing, and making available to instructional staff television or computer-assisted services	2420
Instructional Research	2100/2120
Instructional Supervision	2100/2110
Instructional Technology	2420
Insurance—Buses	3600
Insurance—Driver Training Vehicle Insurance	1000
Insurance—Food Service Vehicles	3700
Insurance—General property and liability not covered elsewhere	7200
Insurance—Pupil	1000
Interpreter Services—Special Education	1130
Language and Speech—Special Education	1190
Language Disorders—Assess	3150
Language Services	3150
Legal – General Legal Counsel (e.g., interpret laws and statutes, general liability)	7100/7110
Legal – Directly Identifiable with an Activity (e.g., supervision of instruction, fiscal services, personnel/human resources services, capital projects)	Use activity function.
Medical Services to Students	3140
Negotiations (Contractual) and Staff Relations	7100/7120
Network Manager—Noninstructional Networks	7700
News Media—Dissemination of Educational Public Information	7100/7180
Nonpublic Agencies/Schools (NPA/S)—Special Education	1180
Noon-duty Personnel	1000
Nursing Services	3140
Orientation and Mobility Instruction—Special Education	1190
Other Specialized Instructional Services—Special Education	1190
Parent Counseling—Special Education	3110
Parent Participation—School Activities	2490/2495
Parent-Teacher Association (PTA) Meetings	5000
Payroll Services	7200/7340
Personnel Services	7200/7400
Photocopying—Administrative Publications (e.g., annual reports, agencywide directories or bulletins)	7200/7550
Photocopying—Instructional Materials	1000–1999
Photocopying—Program Specific (may be accumulated in Function 7200, then transferred using Objects 5710/5750)	Use program function.
Placement Services—Students	3110

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Plant Maintenance (e.g., repairing, restoring, renovating school property)	8100/8110
Plant Operations (e.g., heating, lighting, power, grounds keeping, housekeeping)	8100/8200
Police Activities for School Functions	8100/8300
Policy Administration—Agencywide	7100 or 7200
Principal	2700
Printing, Publishing and Duplicating—Administrative Publications (e.g., annual reports, agencywide directories or bulletins)	7200/7550
Printing, Publishing and Duplicating—Instructional Materials	1000–1999
Program Manager—Instruction Related	2100
Psychological Services	3120
Public Information	7100/7180
Public Relations	7100/7150
Purchasing—Activities to purchase supplies, furniture, equipment	7200/7530
Recreation Program—Community	5000
Renovating School Property	8100/8110
Repairing and Restoring School Property	8100/8110
Retiree Benefits (Allocate in proportion to total salaries or total full-time-equivalent positions in all activities as described in Objects 3701/3702, or direct-charge as described in Objects 3751/3752)	Various functions
Salary Stipend—Staff Development	Normally, employee's function
Scholarship Payments	5000
School Activities—Coordination	2700
School Administration	2700
School Records—Supervise and Maintain	2700
School-Sponsored Athletics (e.g., competition between schools)	4000/4200
School-Sponsored Cocurricular Activities	4000/4100
Secretary—School	2700
Secretary—Superintendent or Governing Board	7100
Security	8100/8300
Sign Language Service—Special Education	1190
Social Work Services	3130
Special Education—Adaptive Physical Education	1190
Special Education—Assistive Services	1190
Special Education—Assistive Technology	1130
Special Education—Braille Services	1130
Special Education—Education Technological Services	1190
Special Education—Home and Hospital Instruction	1130
Special Education—Instructional Aides	1130

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Special Education—Interpreter Services	1130
Special Education—Language and Speech	1190
Special Education—Nonpublic Agencies/Schools (NPA/S)	1180
Special Education—Orientation and Mobility Instruction	1190
Special Education—Other Specialized Instructional Services	1190
Special Education—Resource Specialist Instruction	1120
Special Education—Separate Classes	1110
Special Education—Sign Language Service	1190
Special Education—Supplemental aids and services in regular classrooms	1130
Special Education—Transportation (specialized services specified in IEP)	3600
Special Education—Vision Services	1190
Special Education—Vocational Education Training	1190
Special Education Instruction	1100–1199
Special Project—Instructional Administration (typically funded from a specific resource and requires project budget and audit)	2100/2150
Special Project—Support Staff for Instructional Administration (includes administrative services beyond general level provided by the business office)	2100/2150
Speech Disorders—Assess	3150
Speech Pathology	3150
Staff Development and Training—Conference Fees	Normally, employee's function
Staff Development and Training—Instructional (e.g., techniques of instruction, how children learn)	2100
Staff Development and Training—Noninstructional Staff (developing agencywide programs not related to instructional staff or programs)	7200/7400
Staff Development and Training—Salary Stipend	Normally, employee's function
Staff Development Consultant—Work with teachers outside the classroom	2100/2140
Staff Evaluations—School	2700
Staff Relations and Contractual Negotiations	7100/7120
Superintendent	7100/7150
Supervisor of Instructional Program (e.g., special education, bilingual education, or similar programs)	2100
Technology—Instructional	2420
Telephone Lines—Communications	2700 or 7200 (refer to Object 5900)
Telephone Lines—Centralized Data Processing	7700
Telephone Lines—Instructional Internet Access	1000 or 2420
Testing—Classroom teachers administering tests to students	1000–1999
Testing—Coordinate standardized student testing	3160

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Testing—Psychological Services	3120
Transportation—Home to School	3600
Transportation—Other Miles (e.g., field trips, between school sites, summer school hours) (may be accumulated in Function 3600, then transferred using Objects 5710/5750)	1000–1999
Transportation—Special Education (specialized services specified in IEP)	3600
Truancy Officer—Attendance	3130
Tuition—Outgoing to another agency	9200
Utilities (e.g., heat, light, power, garbage) (See Communications for telephones.)	8100/8200
Vision Screening	3140
Vision Services—Special Education	1190
Vocational Education Training—Special Education	1190
Warehousing and Distribution	7200/7540
Xeroxing—Administrative Publications (e.g., annual reports, agencywide directories or bulletins)	7200/7550
Xeroxing—Instructional Materials	1000–1999
Xeroxing—Program Specific (may be accumulated in Function 7200, then transferred using Objects 5710/5750)	Use program function.

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